University of Alberta

The Political Economy of Harmonisation: Ideological Contestation over Social Policy in the European Union

by

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ABSTRACT

While the European Union is made up of primarily conservative and social democratic welfare regimes at the national level, and public declarations by member-governments appear to support the 'European social model' and reject neo-liberal social policies, the social policy environment being created at the regional level is more conducive to the ideology of neo-liberalism. By drawing upon primary documents, an extensive survey of secondary sources, and confidential interviews conducted with representatives from the major stakeholders in the formation of social policy within the European Union, Ireland, and Germany, this dissertation adopts a neo-Gramscian theoretical framework to investigate this contradiction through two interrelated research questions. First, what has caused the social policy environment created at the European level to develop in a manner that is more conducive to neo-liberal policies? In answering this first question, this study finds that capital has been more successful than labour in negotiating between its fractional particularities and consolidating into a transnational class. While this analysis shows that counter-hegemonic agents were able to institutionalise support for the idea of a *European* social policy, it also reveals that these actors were unable to shape the social purpose of this concept; in contrast, this research demonstrates that neo-liberal organic intellectuals have successfully framed the policy debate by defining the benchmarking indicators and best practice standards used to evaluate the social policies adopted by the member-states. Secondly, this dissertation asks what impact has the debate over social policy in the European Union had on the welfare regimes of the member states, looking specifically at the experiences of Ireland and Germany? In answering this second question, this investigation shows how the development of a European social policy has eroded the capacity of member-states to pursue fully autonomous social policies. By examining the experiences of both Ireland and Germany, this dissertation demonstrates how some degree of policy convergence between member-states is occurring. However, this study concludes that the variation in welfare traditions among the member-states means that there will not be a single response to this shift towards neo-liberalism and that different ideological compromises have been reached within the different traditions.

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LIST OF ABBREVIATIONS

ALMP	Active Labour Market Policies
BEPG	Broad Economic Policy Guidelines
BDA	*Budesvereinigung der Deutschen Arbeitgeberverbände* [Federal Union of German Employers' Associations]
CEEP	European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest
CAP	Common Agricultural Policy
CDP/ CSU	Christian Democratic Party/ Christian Social Union
CPE	Critical Political Economy
DGB	*Deutscher Gewerkschaftsbund* [German Trade Union Confederation]
ECSC	European Coal and Steel Community
EEC	European Economic Community
EES	European Employment Strategy
EG	Employment Guidelines
ECJ	European Court of Justice
EMCO	Employment Committee
EMU	Economic and Monetary Union
ELMC	Employment and Labour Market Committee
ERT	European Roundtable of Industrialists
ESF	European Social Fund
ETUC	European Trade Union Congress
EU	European Union

FÁS	*Foras Áisenna Saothair* [National Employment and Training Authority]
FDI	Foreign Direct Investment
FGR	Federal Republic of Germany
GDP	Gross Domestic Product
GDR	German Democratic Republic
GNP	Gross National Product
IBEC	Irish Business and Employers Confederation
IDA	Industrial Development Authority
ISI	Import Substitution Industrialisation
ITUC	Irish Trade Union Congress
LI	Liberal Intergovernmentalism
LLL	Lifelong Learning
NAP	National Action Plans
NAP/incl	National Action Plan on Inclusion
NESC	National Economic and Social Council
NGO	Non-Governmental Organisation
NWC	National Woman's Council
OECD	Organisation for Economic Co-operation and Development
OMC	Open Method of Co-ordination
QMV	Qualified Majority Voting
TEC	Treaty establishing the European Community
SAP	Social Action Programme
SEA	Single European Act
SPD	Social Democratic Party

UK	United Kingdom
US	United States
USSR	Union of Soviet Socialist Republics

CHAPTER ONE

INTRODUCTION

Despite public declarations by member-governments of the European Union [EU] that appear to support the 'European social model' and reject neo-liberal social policies, the social policy architecture throughout the EU is becoming more neo-liberal in its orientation. The June 2007 debate over the EU Reform Treaty and the amendment proposed by French President Nicolas Sarkozy clearly illustrates this contradiction between public declarations by the member-states and the content of the changes being adopted. The successful attempt by Sarkozy to remove a reference to "free and undistorted" competition from the articulated objectives of the EU was widely reported in the media as an effort to (re)legitimise government involvement within the economy and challenge the neo-liberal prescription of non-intervention. For example, the *Wall Street Journal* (2007) proclaimed that "on a philosophical plane, the EU has just legitimized protectionism," and the *Daily Telegraph* warned that the change "effectively enshrines a dirigiste vision of economic policy into treaty law at the expense of market principles" (Evans-Pritchard 2007). Nevertheless, the Sarkozy amendment was merely a symbolic gesture that did not fundamentally reorient the social purpose of the EU or the Reform Treaty. Indeed, as noted by *Spiegel Online* (2007), "the concept of undistorted competition appears 13 times elsewhere in the EU's legal texts." As such, the amended objectives did not diminish the broader commitment towards global competitiveness that increasingly defines the EU. In addition, even the amendment Sarkozy proposed to the EU Reform Treaty, which was widely reported to limit the commitment to free competition, still affirmed the need to ensure that "competition is not distorted," because of the Protocol on Internal Market and Competition that was also adopted at the same time (European Council 2007, fn16). With this Protocol authorising the use of Article 308 of the Treaty establishing the European Community to achieve the objective of free competition, global competitiveness clearly remains a defining principle of the EU.[1]

That Sarkozy's amendment will likely have little impact on the types of policies pursued in the EU illustrates, in concrete form, the central contention of this study: the dominant mode of regulation governing the political economy of the EU reflects the ideology of neo-liberalism. Resulting from a transnational historic bloc spanning business, government, and civil society elites, the dominant discourse of the EU has been positioned to focus upon maximising negative freedom and valorising the supremacy of the market. Centred on creating a common market of goods and services between the member-states, the EU has acted in both intentional and unintentional ways to promote trade liberalisation. In addition, a number of policy developments within EU member-states have strengthened this growing entrenchment of a neo-liberal hegemony within the EU, ranging from the increasing emphasis on individualism and flexibilisation within social policy, the decreasing importance of social solidarity, and the shift in welfare provision away from preventative measures and toward curative ones. These developments at the regional level have profound implications for the welfare regimes of the member-states and lead to one of the central contradictions of social policies within the EU: despite being made up of primarily conservative and social democratic welfare regimes at the national level, the social policy environment being created at the regional level is more conducive to neo-liberal policies.

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[1] Article 308 of the Treaty establishing the European Community enables the European Council to "take appropriate measures" to achieve the "objectives of the Community," including the adoption of powers not specified in the Treaty Framework.

This dissertation investigates this contradiction through two interrelated research questions: what has caused the social policy environment created at the European level to develop in a manner that is more conducive to neo-liberal policies and what impact has the debate over social policy in the European Union had on the welfare regimes of the member states, looking specifically at the experiences of Ireland and Germany. In what follows, this chapter outlines the research questions, the key arguments, and the methodology adopted in this study. In the first two sections, the chapter contextualises the research project by providing two areas of prerequisite information needed to understand the state of the existing literature surrounding European social policy. The first section draws upon the work of Gøsta Esping-Anderson to discuss the wide variety of welfare traditions among the member-states. Secondly, the chapter provides a brief historical overview of how social policies have been co-ordinated through the project of European integration. After outlining these two areas, the third section develops the two research questions being examined and introduces the six core themes that will be used to answer these questions. Fourthly, the chapter details the nature of the study and provides the rationale for examining both Germany and Ireland as my two case studies. Following this discussion, the fifth section introduces the neo-Gramscian theoretical framework, by illustrating how it may be combined with a federalist approach to analyse transnational governance. The sixth section surveys the methodology and this chapter concludes by outlining the subsequent chapters of the dissertation.

Three Different European Social Models

The central debate over the regional co-ordination of social policy within the EU revolves around the concept of the European social model. Despite never being explicitly defined in any EU legislation, in the late 1990s discourse around this concept became centred on the need to modernise the model, in order to respond to the "challenge of 'economic competitiveness'" (Fitoussi and Schioppa 2005, 210). Beginning in 1997, the European Commission advocated the need to revise the European social model in order to promote fiscal restraint and consolidation, as well as redirect social protection regimes to move people into the labour market and economic integration (European Commission 1997, 2). However, the attempt to depict the concept as a single entity—the European social *model*—obfuscates the inherent differences between the social policies pursed by the member-states. Debates over the regional co-ordination of social policy should revolve around European social *models* rather than a single model. Following the typology proposed by Esping-Anderson (1990), the different European social models may be classified into three ideal-types: liberal, conservative, and social democratic. Moreover, these differences in welfare regimes may be illustrated by the multiple approaches taken by states in one key area of social policy: combating unemployment.

An endemic feature of capitalism, the issue of unemployment has become one of the most pressing problems faced by EU member-states. Over the last thirty-five years, unemployment rates among member-states have increased nearly five times, from an average of 2-3 percent in the late 1960s to an average of 10 percent throughout the 1990s (Cameron 2001, 7). In response, member-states have moved toward the greater harmonisation of labour market strategies and employment policies in an attempt to develop a regional solution to this problem, reflecting a belief that it is no longer possible to develop a sustainable solution to unemployment within a national setting under the contemporary context of increased global interaction. Despite widespread agreement that the problem needs to be addressed, the inherent differences in welfare regimes between the member-states have prevented them from actively creating a single comprehensive approach.

Irrespective of national nuance, most western nation-states implemented a policy regime loosely based upon the economic theories of John Maynard Keynes and William Beveridge following the Great Depression of the 1930s (Overbeek 2003b, 1). Reflecting the post-war consensus of embedded liberalism between domestic social forces, which included left-leaning political parties, trade unions, and business elites, most advanced capitalist economies established welfare regimes to pursue the overarching economic goal of full employment (Esping-Andersen 1990, 163). Still, despite these governments all striving towards similar goals, different types of welfare regimes emerged within the nation-states, depending upon both the particular historical development of each state and its governing coalition. By comparing the different programs that were enacted to combat unemployment, each state may be classified in reference to the three ideal-types.

The classification of each regime is dependent upon the degree to which the state acts as an agent of two key factors. First, labour market strategies and social policies must be analysed to determine the scope to which they act to de-commodify labour power; this indicator is understood as a continuum that measures decommodification, that is "the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation" (Esping-Andersen 1990, 37). The de-commodification potential of different social policies is calculated by three criteria: scope of access to benefits, the degree to which the benefits serve to adequately replace a claimant's income, and the range of benefits that are provided by the welfare regime (Esping-Andersen 1990, 47). By measuring these criteria, social policies may be classified into three categories of high, moderate, and low levels of de-commodification. Secondly, Esping-Andersen (1990) also looked at the way different welfare states act as an agent of social stratification, through income redistribution and other policies that shape social citizenship, class, and status (57-8). Recognising that the adoption of different social policies will lead to a variation in stratification outcomes, this category is operationalised by identifying features and policies that are distinctive for each regime type. In this manner, liberal regimes encourage individual insurance programs and market-based solutions to achieve a high degree of individualism within society, adopting only minimal levels of income redistribution through means-tested relief as a residual element (Esping-Andersen 1990, 61-5). Following Otto von Bismarck's notion of *Soldaten der Arbeit*, conservative regimes reinforce existing socio-economic stratification and national loyalties with separate social insurance schemes for different industrial sectors, implemented by the state through corporatist negotiations (Esping-Andersen 1990, 58-61). Finally, social democratic regimes exhibit a high degree of social solidarity, promoting universal programs with a minimum level of benefit differentials (Esping-Andersen 1990, 65-9).

By using this typology, the policies pursed by welfare regimes to implement the post-war consensus around full employment may be separated into three distinctive approaches. First, liberal welfare regimes sought to achieve the goal of full employment by encouraging the market to expand. Emphasising market freedom, these regimes attempted to stimulate job creation by implementing economic measures that increased the demand for labour, such as attracting foreign direct investment and reducing regulations on the labour market. When publicly funded redistribution programs existed, they were largely residual elements that targeted the very poor through means testing; the vast majority of people relied upon private insurance programs (Fitoussi and Schioppa 2005, 214-5). Secondly, conservative regimes attempted to remove groups of individuals from the employment pool, either through reinforcing family structures or promoting early retirement. Strongly influenced by the subsidiarity principle of Catholicism, these regimes attempted to institutionalise a 'household' wage based upon a male-breadwinner model to reflect the belief that "higher and larger levels of social collectively should only intervene when the family's capacity for mutual protection was rendered impossible" (Esping-Andersen 1990, 61). Reinforcing the strict social stratification in these regimes, as well as an insider-outsider division of the labour market, social insurance programs were implemented with contributions and benefits organised on the basis of industrial sectors. Where non-corporate social services did exist, they were means-tested programs for the very poor (Fitoussi and Schioppa 2005, 215). Finally, social democratic states achieved the goal of full employment by acting as an employer of last resort. Defined by high levels of de-commodification and the principles of universalism, these regimes were premised on redistribution schemes that promoted a high level of welfare for all citizens. As the vast majority of programs were publicly operated, and thereby funded through taxation, these systems depended on ensuring that the vast majority of the adult population was engaged in paid employment (Kleinman 2002, 44). Due to the need to ensure a high level of paid employment, these regimes implemented policies focused on enabling people to work, such as state sponsored child-care, and expanded the public service to employ the excess labour supply. However, by the 1970s, the commitment toward the goal of full employment began to weaken in all three ideal-types, as the structural conditions supporting these welfare programs began to breakdown.

The widespread consensus around the goal of full employment was premised upon the ability of economic policies inspired by Keynes to deliver high levels of non-cyclical economic growth. As the growth in the global economy began to slow down in the 1970s, the hegemonic position of Keynesian economics began to be challenged by critics on both sides of the ideological spectrum (Kleinman 2002, 8). While some commentaries have suggested that these challenges threw the welfare state into a crisis, demanding a radical policy shift, more recent work such as Mark

Kleinman (2002) has shown that the majority of welfare states have maintained the same general policy focus and different state patterns are consistent with the typology proposed by Esping-Andersen. Despite this general trend of continuity, there has still been a noticeable shift away from the overarching goal of full employment and towards a low inflationary model of growth in the policies of all welfare states. While there were national differences in the manner through which the new growth model was applied, dependent upon the particular historical development of each state, all regime-types have attempted to re-orient their policies to be attuned to the new understanding of economic success and the changing global environment.

The acceleration of globalisation has led to structural changes in the global political economy, creating new problems that the post-war welfare states were unable to accommodate. Ranging from the increasingly transnational nature of production, the changing composition of the labour supply, and the rise of "transplanetary relations and supraterritoriality" (Scholte 2005, 60), the processes of globalisation create new constraints that must be addressed by states. Increasingly, the solutions proposed for these new problems revolve around market liberalisation, flexible labour markets, and minimal state regulations to enhance an economy's competitiveness. In a gradual manner, this new ideological model has begun to erode the differences between the separate welfare regimes within Europe. Reflecting the rising influence of transnational capital and neo-liberalism, member-states of the EU are implementing social policies more conducive to this ideology.

Regional Co-ordination of Social Policy

The harmonisation of social policy in the EU is based upon the principle of national competence. Through the use of Directives, the EU has merely set standards for these policy areas and left the implementation of the initiatives up to the individual member-states. Moreover, in most cases, the actual content of the Directives are less sweeping than most existing national policies, and, even in those cases where EU law extends beyond national levels, the way in which the implementation is ultimately performed is up to the member-governments (Padoan 2001, 209). However, even though harmonisation was not driven in an active, co-ordinated manner, the resulting policy arrangement does reflect a coherent ideological position. The project of European integration has largely been driven by the need to construct an economic environment structured around ensuring investor confidence through expanding property rights and investor freedoms, while imposing "market discipline" on the actions of the state and on labour (Gill 2001, 47). As a result, attempts to harmonise social policy with the EU have been largely subordinated to the goal of perfecting the common market.

The debate over the regional co-ordination of social policies between the member-states is an enduring feature of European integration. Beginning with the Treaty of Rome in 1957, the member-states have sought to improve the working conditions for their citizens without the development of enforcement mechanisms. While the Treaty endorsed the belief that minimal harmonisation of social policies is necessary to prevent market distortions, the discussion was largely influenced by the principle of 'social sovereignty,' and, as such, member-states sought to ensure that they would be able to maintain authority over the content and direction of their own social policies (Fitoussi and Schioppa 2005, 208). In attempting to strike this balance between standards and enforcement, the member-states concentrated on establishing a minimum level of labour standards, primarily in the realm of pay equality, and synchronising paid holiday schemes. Despite general provisions within Article 121 that allowed for increased harmonisation to deal with specific distortions, little more co-ordination occurred over the following fifteen years.

However the member-states revisited the debate over social policy co-ordination in the early 1970s, following a decade of uneven growth throughout the European Economic Community [EEC], the first wave of expansion in 1971, and the first oil crisis in 1973-4. Initiating the first of a series of four-year Social Action Programmes [SAP] in 1974, the EEC attempted to develop a plan of action to further deepen the scope of harmonisation, even though the expansion of regional competence was still minimised (Kleinman 2002, 85). Focusing on three areas, the SAP led to the development of three sets of Directives that sought to broaden gender equality, achieve full employment, and improve working and living conditions throughout the Community (Padoan 2001, 208). In addition, the SAP also restructured the European Social Fund [ESF] toward relieving regional unemployment disparities, combating long-term unemployment, and enhancing gender equality. Originally, the focus of the ESF was on the "quasi-automatic" reimbursement of vocational training and retraining programs individually developed by each member-state (Falkner 2003, 271); the revisions replaced the concentration on retroactive funding with an application procedure that enabled the Commission and the Social Fund Committee to have a more substantial input into the types of policies funded by the program. Even so, these changes did not significantly re-orient the social policies pursued by the member-states.

The continuing global recession, as well as the two Southern enlargements of the EEC in the 1980s, contributed to the rejuvenation of the project of European integration. Explicitly focused on stabilising the new democracies of Greece, Spain, and Portugal, the Southern enlargements reshaped the socio-economic composition of the Community and necessitated a redefinition of European social policy (Glenn 2003, 212-4). As one-third of the member-states were now identified as cohesion countries,[2] the use of collective funds and actions to provide development assistance became increasingly important (Casey 1993, 174-5). Along similar lines, the Commission, led by Jacques Delors, launched the single market programme in the mid-1980s, which sought completion of the single market by 1992, in the belief that the removal of economic barriers would lead to high levels of growth throughout Europe. Working with a wide variety of social forces, including both neo-liberal groups, like 'globally-oriented' European capital seeking to implement a radical program of economic liberalisation, and neo-mercantilist groups, like 'regionally-oriented' European capital seeking to create a protectionist regime that would help develop European champions, the Commission sought to foster a broad consensus over the creation of the single market (van Apeldoorn 2001, 74-8). At the same time, the Delors Commission also attempted to ensure that the single market would involve a social dimension, reflecting the largely social democratic orientation of the Commission at that time (Cram 1997, 40-1). While the potential scope of European social policy was extended in the Single Market Act with provisions on health and safety issues, free movement of labour, and the European social dialogue, the principle of 'social sovereignty' was continued and few concrete changes were made. Despite having minimal legislative impact, with the majority of provisions focused on negative integration and the removal of market barriers (Egan 2003, 38), the introduction of some market-correcting measures reflected the broad acceptance that some level of regulation was necessary.

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[2] The term 'cohesion countries' collectively referred to the poorest member-states; during the 1980s, the four cohesion countries were Greece, Ireland, Portugal, and Spain.

Building off of this growing belief, the Belgian government attempted to institutionalise a minimal level of social rights at the regional level while it held the European Presidency in 1987. Seeking to create a regional 'plinth,' which would allow for a future expansion of the social dimension without overriding existing levels, the Belgian initiative led to the adoption of the Community Charter of the Fundamental Social Rights of the Worker, or Social Charter, in 1989. Despite this success, the refusal of the UK to sign on meant that the Social Charter was limited to merely broad-based goals and objectives, and failed to initiate any substantial policy changes (Hantrais 2000, 8). Still, this 'solemn declaration' did expand the space at the regional level for further co-ordination and harmonisation of social policies, leading to the inclusion of new initiatives within the negotiations surrounding the Treaty on European Union in 1991. However, once again in the face of UK opposition, the remaining member-states were only able to append a Protocol on

Social Policy to the Maastricht Treaty, allowing them to sign an Agreement on Social Policy and continue harmonising social issues by exempting the UK, rather than entrenching any direct legislative changes (Bean et al 1998, 8).

During the negotiations over the Treaty of Amsterdam in 1997, a Labour government was elected in the UK that was more open to the regional co-ordination of social policy. Due to this ideological shift, the British government decided to sign the Agreement on Social Policy, allowing it to be included as an explicit component of the Treaty framework as Title XI on social policy, education, vocational training, and youth, commonly identified as the Social Chapter. The adoption of the Social Chapter substantially reoriented the historical approach to the regional co-ordination of social policy taken by the member-states by rejecting the principle of 'social sovereignty' and endorsing the belief that social policy must be understood as a both an integral component to European integration and a 'productive factor' in the common market (Fitoussi and Schioppa 2005, 208). Most importantly, the Treaty of Amsterdam added Title VIII on employment (Articles 125-30) to the Treaty framework, directing the Community to "contribute to a high level of employment by encouraging cooperation between Member States and by supporting and, if necessary, complementing their actions" (Article 127). Identified as the European Employment Strategy [EES], this new process of policy sharing and co-ordination seeks to identify 'best-practices' within the realm of employment policy and "ensure co-ordination of the employment policy priorities to which Member States should subscribe at EU level" (European Commission 2005b). As the operation of the EES became aligned with the neo-liberal discourse on competitiveness and the development of the Broad

Economic Policy Guidelines (European Council 2002b), the types of 'best-practices' that were formulated through this process began to emphasise flexibility and market liberalisation.

Still, the initial proposal for the EES was a counter-hegemonic act by neo-socialists that sought to create an international space through which social democratic ideals could be reinforced in debates over socio-economic governance, both within member-states and at the European level.[3] In this way it echoed both the attempt by French President Jacques Chirac to create the Stability Council and the proposal by German Minister of Finance Oskar Lafontaine for a Macroeconomic Dialogue within the EU. However, much like the other two initiatives, the compromise required for implementation made the EES unable to effectively promote more social democratic ideals. For the first five years of its existence, the social democratic ambitions of the various social forces were tempered through the intergovernmental negotiations performed in the Employment Committee [EMCO]. Within these negotiations, the goal of the EES shifted away from "promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change" (Treaty establishing the European Community, Art 125), and toward simply the development and exchange of 'best practices' that would enhance the relative competitiveness of the member-states. Due to the increasing influence of the emerging transnational capitalist class within Europe, the EES became firmly embedded in the neo-liberal discourse on competitiveness during the five-year review in 2003, when the process was 'streamlined' with the Lisbon Strategy. Reinforcing the articulated goal to become the "the most competitive and dynamic knowledge-based economy in the world" by 2010 (European Council, 2000), the focus of the EES, and other attempts at the European co-ordination of social policy, are now focused toward the "modernisation" of the European social model (see, for example, Diamantopoulou 2003, European Commission 2005a, European Council 2002b).

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[3] Within the literature, this counter-hegemonic project is alternatively identified as social democratic, supranational social democracy, social neo-liberalism, and Euro-Keynesianism. The term neo-socialist was adopted in this study to distinguish the hegemonic project from the social democratic welfare regime, to indicate the primary focus of this project on institutionalising an employment based European social model, and to ensure consistent terminology with the dominant hegemonic project of neo-liberalism.

Similarly, the attempt to characterise the debate around the concept of a single European social model by a variety of European actors may be seen as a political project to reinforce the development of a particular ideological vision. Just as there are three distinct welfare traditions within Europe, there are also at least three separate social models. Consequently, reference to a single model may be seen as an attempt to "*create* a European social model—either by synthesising aspects of all [three] models or (more realistically) by imposing one model on all" (Kleinman 2002, 58, emphasis in original). In addition, actors from all three welfare traditions are seeking to establish their particular model as the dominant definition. While the precise meaning of the European social model is still being contested, neo-liberal actors have been relatively successful in shaping how the discourse has proceeded. In this way, the dominant discourse surrounding the European social model has come to revolve around supporting sustainable economic growth and promoting market-based solutions, such as the expansion of the employment rate and the activation of the labour supply, to deal with social ills. In this new debate, a key concept is the idea of "flexicurity," which the Commission defines as the combination of

> a more flexible labour market, where protection from dismissal for instance is relatively low, with good social protection offering high unemployment benefits, which make the transition for one job to another less painful. Along with this, flexicurity promotes a pro-active employment and training policy shortening the period between jobs. (European Commission 2006, 15)

As can be seen by this definition, there is an active attempt at the European level to bring the debate over social policies in line with the goal of greater competitiveness. By designating the discourse of flexicurity as a 'best practice,' and advocating for its adoption, the rising influence of this concept is pressuring member-states to implement more neo-liberal social policies.

Yet, the process of convergence is not inevitable. As Peter Hall and David Soskice (2001) demonstrate, the dynamic pressures of globalisation and European integration may lead to divergent responses by different types of capitalist regimes: liberal states may react by extending market de-regulation, while conservative or social democratic states may enhance or deepen existing regulations to support domestic industries (56-60). However, this assumption fails to acknowledge the transformative effect that the processes of globalisation are having upon capital in Europe, and the role that the project of European integration has in facilitating the development of a new hegemonic consensus. Since the development of the single market, European business has become more globally focused and European business elites are increasingly rejecting the belief that the project of European integration should focus on the development and promotion of European champions (van

Apeldoorn 2001, 79-80). Similarly, the neo-liberal discourse of competitiveness has emerged in the late 1990s as a comprehensive concept of control defining the direction of European integration and influencing the type of social policies that are identified as best practices at the EU level.[4] Due to the "political decoupling of economic integration and social protection issues" that has historically accompanied European integration and "ensured the privileged access of economic interests to European policy processes" (Scharpf 2002, 646-7), the co-ordination of social policies at the EU level is being subordinated to concerns of economic efficiency and growth. Consequently, debates over the European social policy have shifted towards 'modernising' the European social model; the question of how focused welfare policies should be on enhancing solidarity and de-commodification is now being rephrased as an attempt to bring social protection regimes in line with the goal of greater competitiveness.

Research Problem and Core Arguments

Due to the dual pressures of globalisation and European integration, the social policy environment within the EU is increasingly shifting to conform to the principles and ideals of neo-liberalism. Even though there is variation in how this ideology is put into practice, the neo-liberal model advocates for a reduction in barriers to international trade and capital, a commitment toward low inflation and supply-side fiscal policy, a reorientation of state agencies towards 'pro-market' regulation, and a broad adherence to the 'New Public Management' approach to the public bureaucracy (Cerny, Menz, and Soederberg 2006, 14-9). However, the trend towards neo-liberalism seems to be at odds with the welfare policies historically adopted by the member-states. Despite the inclusion of welfare regimes from all three traditions within the negotiations over social policy in the EU, the policies promoted by the European legislative structure seems to conform to a "monetarist doctrine of low inflation" that seeks "to extend the influence of the market and to promote [the] cross-border exchange of commodities and capital, [as well as] the circulation of financial assets and labour mobility" (Bieling 2003, 54). By focusing on this contradiction, the first research question addressed by this study is *what caused the social policy environment created at the European level to develop in a manner that is more conducive to neo-liberal policies?*

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[4] The most widely accepted definition of comprehensive concepts of control identifies them as "long-term strategies, formulated in general terms and dealing in an integrated way such areas as labour relations, socio-economic policies, and the international socio-economic and political order" (Holman 1992, 12). In other words, these concepts are large-scale social, economic, and political discourses designed to smooth over conflicts both within and between competing social forces.

To answer the first research question, this dissertation will develop three interrelated arguments. First, it will show how capital has been more successful than labour in negotiating between its fractional particularities and consolidating these fractions into a transnational class. While differences between the separate fractions of capital still remain, neo-liberal organic intellectuals were able to construct a historic bloc around their fraction in the early 1990s. In contrast, the fractional particularities of transnational labour and the wide variety of social models among the member-states impede the ability of oppositional groups to consolidate within a coherent historic bloc. In particular, different fractions of transnational labour, such as trade unions and civil society organisations, struggle to present an alternative policy framework to neo-liberalism and seem limited to the neo-socialist project of institutionalising support for the European social model within EU. Consequently, the second argument developed by this study will demonstrate the inherent limitations of the neo-socialist project and existing attempts to challenge neo-liberal hegemony. Even though the neo-socialist project has been able to establish the idea of the *European* social model "at the level of political and economic relations now imagined to be inter- and supranational, i.e., more than the sum of the separate member-states" (Walters 2000, 116), it will be shown that these actors have been unable to shape the social purpose of this concept due to the variety of welfare traditions in Europe and the inability of these counter-hegemonic actors to overcome their fractional particularities. In other words, neo-socialists have successfully constrained the ability of member-states to pursue autonomous social policies without successfully defining what types of policies the member-states should adopt. Thirdly, this research project will demonstrate how capital has been able to exert a greater influence in framing the policy debate in the EU and defining the content of the European social model. As transnational capital has been able to construct an ideological consensus, these actors have been able to integrate the challenges posed by various subordinate social forces to expand its historic bloc and present a relatively coherent position within the subsequent negotiations over the newly created idea of the European social policy. In detailing this latter feature, this study will also show how transnational capital has been more successful in shaping the benchmarking indicators and best practice standards used to evaluate the social policies adopted by the member-states.

The second research question examined by this dissertation is *what impact has the debate over social policy in the EU had on the welfare regimes of the member states, looking specifically at the experiences of Ireland and Germany?* In answering this question, which explicitly focuses on the different welfare traditions historically practiced by the member-states, this research project will develop another three interrelated arguments. First, it will be shown how the success of the neo-socialist project to institutionalize support for a European social policy has eroded the capacity of member-states to pursue fully autonomous social policies. Even though neo-socialist actors have been unable to articulate a cohesive alternative, their influence has already tempered the neo-liberal hegemonic project within Europe and, ironically, enabled the hegemonic project to be further entrenched. Secondly, it will be shown how the success of transnational capital to shape the social purpose of European integration and the European social model has reinforced the entrenchment of neo-liberal hegemony domestically. By examining the experiences of both Ireland and Germany, this work will show how the deepening of economic integration, the formation of a transnational capitalist class, and the institutionalisation of neo-liberalism at the European level is prompting some degree of policy convergence between member-states to occur. While the process has not been inevitable, the dynamics surrounding the harmonisation of social policy have contributed to it being formed along neo-liberal lines. Nevertheless, the final argument developed to answer this second question will show that the variation in welfare traditions among the member-states means that there will not be a single response to this shift towards neo-liberalism. In contrast to the relatively 'pure' form that has been established in more liberal welfare regimes, as exemplified by the United States or Australia, the hegemonic project that is emerging within the EU member-states is more accurately identified as "embedded neo-liberalism" (van Apeldoorn 2003, 134n). In this way, it will be shown how the neo-liberal agenda has been modified to be coherent with both the conservative and social democratic welfare regimes and enabled different ideological compromises to be reached within the different traditions.

Nature of Study

In order to evaluate the impact of European integration and globalisation is having on the welfare policies and labour market strategies pursued within Europe, this study examines the experiences of two member-states. Since the manner in which the harmonisation initiatives are implemented depends upon the individual nation-states, it is essential that the process of policy-making in the member-states be examined in significant detail. In addition, by examining two different states, the results may be compared and contrasted in order to develop a more general understanding of how social policy co-ordination is being performed throughout the EU. The two states examined are Ireland and Germany.

When Ireland joined in 1972, it was poor, conservative, and largely insular. Historically, Irish political culture was defined by religious deference and social conservatism and these aspects were actively reinforced by different social forces, like the Catholic Church and nationalist leaders, who sought to mask cultural difference and promote a sense of cultural homogeneity (Croakley 2005, 37-9).

Moreover, Ireland's economy was also inwardly focused until the 1960s, when the Irish government adopted a new development agenda that focused on export led growth and economic liberalisation (Kirby 2002, 17-8). However, following its accession to the EEC, Ireland underwent a socio-economic transformation (Douglas, et al 2000, 139). Membership slowly modernised Irish legislation on workers' rights and gender equality, with Directives strengthening domestic equality claims. Similarly, Ireland substantially expanded its educational programs and developed its infrastructure; by orienting its programs to receive the maximum benefit from the European structural funds, Ireland has been able to reach a level of utility unmatched by any other member-state. As well, the expansion of trade links within Europe greatly reduced Ireland's economic dependence on the UK, and its agricultural sector benefited substantially from European grants and subsidies. Granted, all of these changes were not solely caused by European integration. Still, a number of developments at the European level contributed to both the direction and strength of the changes. Moreover, these structural changes caused by its membership put in place the economic conditions that allowed Ireland to undergo the dramatically high levels of economic growth in the 1990s. With an 11.5 percent decrease in unemployment from 1992-2001, and an average gross domestic product [GDP] growth rate of 7.5 percent from 1991-2004, the so-called 'Celtic Tiger' has been the fastest growing economy in the EU (Fortin 2002, 7-13).

In contrast to Ireland, the recent experience of Germany has not been as positive; from 1991 to 1998, the total number of employed people in Germany fell by 4.4 percent (Cameron 2001, 23). However, while the unemployment rate within

Germany never dipped below 6 percent throughout the 1990s, this trend is not indicative of its overall performance during the process of European integration. One of the original members of the European Community, the German government signed onto the Treaty of Paris in an attempt to rebuild itself and regain its independence and international acceptance as a sovereign state (Dedman 1996, 64). While the actual influence that European integration has had upon the economic success of Germany is debatable, the country has had high levels of economic growth over the last fifty years due to the form of corporatism that emerged after World War II. Identified as the Social Market Economy, the German government has used this system to provide a loose management of the economy and maintain stable growth by establishing broad frameworks for co-operation between capital and labour, rather than direct regulation (C. Allen 2000, 149-51). In fact, its style of economic regulation is the primary reason why Germany has not been more adversely affected by the recession throughout the 1980s and the economic costs of unification. Yet, with the infrastructure costs of integrating the East and West Germany economies peaking at approximately 20 percent of the entire budget, high levels of regional disparity and unemployment have plagued the German state. While western and south-western Germany has enjoyed relatively low levels of unemployment throughout the 1990s, the former East German *Länders* have averaged an unemployment rate of 20 percent or more (Cameron 2001, 17).

There are also differences between the two countries, which have further influenced the decision to compare them both. On the one hand, Ireland, which joined in 1972, is one of the smallest economies in the Union, has a predominantly male workforce, is an economy primarily focused on the service sector, and has an export to GDP ratio that exceeds 85 percent (Fortin 2002, 9). On the other hand, Germany, one of the original members, is the largest economy in the EU, has a workforce that is approximately 42 percent female, is relatively balanced between the industrial and service sectors, and possesses an export ratio that is nearly half of Ireland's (C. Allen 2000, 134). Furthermore, while the German economy may be classified as an "organized market economy" on the basis of the regulatory influence that the state plays, Ireland is primarily identified as a "liberal market economy" (Hall 2001, 51-2). These very differences underline the rationale for including both cases. As one of the purposes of this study is to evaluate the extent to which European integration has influenced the social policies pursued by the member-states, a more complete understanding is achieved by analysing two drastically different member-states. Moreover, the inclusion of these two specific cases is bolstered by the fact that their programs of economic restructuring and growth have been largely driven by similar policy arrangements. Just as Germany adopted the corporatist model of economic governance after World War II and experienced high levels of rapid growth, the success of the 'Celtic Tiger' has been largely attributed to the adoption of a similar model of centrally negotiated national wage agreements by the Irish government (Fortin 2002, 15). Identified by Martin Rhodes (2001) as "competitive corporatism," the Irish government negotiated seven agreements since 1987, in which "inflation proof benefits, job creation, and the reform of labour legislation" were emphasised, floor and ceiling levels were established for pay raises, and "trade unions have delivered industrial relations harmony" (107). By analysing two very different states that have experienced comparable economic growth through pursuing similar strategies, this study uses results achieved within each case study to develop more general conclusions that are applicable to the EU as a whole. Moreover, by examining two member-states that have entrenched systems of social partnership, this study is able to identify the impact of corporatist arrangements on socio-economic governance.

Conceptual and Theoretical Framework

To investigate how the discourse of competitiveness has become so influential, insights drawn from federalist approaches such as co-operative federalism, and its focus on how social forces interact in a federal arrangement, can greatly aid in understanding how transnational actors influence socio-economic governance in Europe. If one begins with the premise that the current institutional arrangement of the EU reflects a form of nascent federalism,[5] the conceptual definition of co-operative federalism is quite applicable to European (Union) governance, a point that may be elucidated by expanding upon the three key assumptions of this approach.

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[5] A distinction must be made between federalism and a federation. It is not suggested that the EU is destined to be a supranational entity that will eventually compel the member-states to slowly wither away. However, the process of integration does act to continually redefine the relationship between the member-states and the EU, and the (re) designation of competencies that has accompanied deeper integration has acted to develop an institutional relationship that is both new and familiar at the same time. Within some policy areas, such as Common Security and Foreign Policy, the EU remains clearly intergovernmental. However, on other issues, such as social policy, the act of sharing competency between member-states and the EU has transformed the relationship in this area into one that mimics those found between central and regional governments in a federal system.

First, while the various levels of government are understood to exist within a strict segregation of responsibilities and jurisdictions, this perspective emphasises the ability of the different levels to act in a manner that harmonises policies and encourages collaborative action (Smith 1999, 71). Currently, the institutional arrangement governing social policies in the EU conforms to this approach; while employment policy is still placed within the realm of national competence, the inclusion of the Employment Chapter in the treaty framework declares it a matter of joint concern for the EU and compels the member-states to co-ordinate and harmonise their behaviour (Scharpf 1999, 158-9). Similarly, the broad commitment in the Treaty of Nice directing the Community to support and complement the member-states in "combating social exclusion" (Art 137), has engendered considerable co-ordination between the member-states. Secondly, the concept of co-operative federalism implies that the entity under study is ultimately a mixed regime, where "different policy styles and decision-making philosophies" are held by different actors within the system, and yet they are still able to interact in a collaborative manner to develop mutually beneficial outcomes (O'Neill 1996, 108). In this way, co-operative federalism is able to reflect the diversity of welfare regimes in the EU. Thirdly, this approach accepts that the decisions made by any actor within the system cannot be decided in isolation, but are informed and redefined by the interests and actions of the opposing actors (O'Neill 1996, 109-111). Echoing the notion of the penetrated state proposed by Charles Pentland (1973), co-operative federalism also includes an understanding of how the interests of all of the actors within the EU are redefined through their social interactions with each other. As such, this study assists in elucidating both how competing social forces act to redefine structural power through the process of integration and how that redefinition serves to further reorient the social forces themselves. In addition, through conceiving of the EU as a form of nascent federalism, one is able to observe how these social forces are interacting on a transnational level.

When married with the neo-Gramscian perspective adopted by this study,[6] the conceptual framework of co-operative federalism allows for a more nuanced understanding of the unequal levels of power found within a federal arrangement. As the central government maintains the ability to develop policy initiatives, as well as the authority over the distribution of financial resources, it is able to define the realm through which interaction proceeds by exerting a hegemonic influence over the federal relationship. Moreover, rather than simply examine relations between two levels of government, this approach seeks to locate this interaction within the wider context of the predominant state/ society complex and the existing historical structure. By adopting the tri-partite conception of hegemony suggested by Robert Cox, this manner of analysing federal relations allows for the identification and examination of three categories of forces which interact to define the structure of the federal relationship: institutions, ideas, and material capabilities.

Dealing specifically with the operation of employment policy, the first force, institutions, defines the federal structure through three interrelated developments. When the Employment Chapter was included in the Treaty framework as Title VIII, and the objectives of the EU were redefined to include "a high level of employment and of social protection" (TEC Art. 2), employment policies became defined as a joint concern for the EU. In addition, by establishing the EMCO, charged with promoting "co-ordination between Member States on employment and labour market policies" (TEC, Art. 130), the EU has institutionalised the process of co-ordination. Finally, through the use of Directives, the EU has further reinforced the pseudo-federal relationship that defines the harmonisation of employment policies. Setting the goals and objectives at the EU level, and leaving the implementation of those policies up to the individual member-states, further strengthens the vertical division of power.

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[6] Please see Chapter Two, where this theoretical framework is outlined in more detail.

The second force that acts to sustain the federal order is the promotion of a specific belief system that reinforces the principles upon which the order is based and serves to convince individuals within the system that it is both natural and morally correct. Within the EU, negotiations over employment policy are primarily defined by principles informed by the ideology of neo-liberalism. Contending that the deregulation of the labour market is the most efficient way in which to lower the level of unemployment, the discourse of competitiveness prescribes the limitation of government in the creation of effective employment strategies (McGiffen 2001, 92). Stressing that the modern economic environment requires labour market flexibility, neo-liberalism argues that state regulation reduces the ability of companies to react to changing labour needs by enacting overly rigid rules and policies (Esping-Andersen 2000, 122). In addition, this perspective assumes high levels of taxation and unemployment benefits actually perpetuate an environment of long-term structural unemployment (Hetemäki 2000, 91-2). By both lowering corporate taxes and labour standards, the solution provided by neo-liberalism is to lower the employment rate by attracting private investment (Hetemäki 2000, 104-6). In other words, the neo-liberal approach to job creation is based upon the principle of liberalising the labour market. With this discourse acting to define the realm of potential solutions for dominant policy-makers involved in the development of employment strategies in the EU, the regional co-ordination of labour-market strategies has acted to further reinforce the neo-liberal perspective.

Finally, a federal order is also supported by a set of material capabilities that act as an enforcement mechanism and punish those members of the system who do not comply with its organising principles. Within a traditional federal arrangement, central governments typically have authority over budget allocation and act to punish defiant or disobedient actors by withdrawing financial support. While the EU does not have same authority over the distribution of financial resources that a central government would have within a traditional federal system, it does possess a series of material capabilities that allows for the enforcement of a particular type of employment regime. Within the realm of employment policy, there are two primary enforcement mechanisms. First, the restrictions enshrined within the Growth and Stability Pact serve to limit the range of policies that member-states may utilise to affect their labour market by effectively removing fiscal options. Even though the November 2003 agreement reached by the Eurozone finance ministers to suspend the application of the enforcement mechanisms suggests that provisions in the Growth and Stability Pact are not as absolute in practice, by reaching a compromise that superseded the Treaty framework the member-states have merely suggested that a more flexible interpretation and application is required. The second mechanism rests within the manner in which the EES has evolved. Each year the EU issues a set of Employment Guidelines, which reflect the priorities faced by the EU as a whole. In response to these priorities, each member-state must develop annual National Employment Action Plans, which demonstrate the progress it has made in implementing the objectives. In 1999, the Commission took an increased role in the implementation of the EES by gaining the authority to assess and recommend alternative policy directions for member-states to best facilitate the execution of the EES. Moreover, performance is judged on the basis of 100 indicators that are set by the Commission and only endorsed by the member-states through the EMCO.[7] In this manner, the Commission both sets the objectives for the EES and defines what types of performance may be classified as successful. Consequently, even though the member-states are responsible for the implementation of the EES within their own domestic setting, the end result is to shift the labour market strategies towards a closer convergence with each other. While this increased convergence is not leading to policy homogenisation between the member-states, the process is able to promote a particular ideological position by forcing all of the various labour market strategies to lead to the same ends. Due to the rising influence of transnational capital and the neo-liberal discourse on competitiveness, this position increasingly advocates policies that emphasise flexibility and market liberalisation.

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[7] After the five-year review of the EES in 2003, the Commission substantially revised the mechanisms surrounding the strategy, including the Employment Guidelines and the Indicators. While the full implications of these changes are addressed in Chapter Three, these amendments have further expanded the role of the Commission in monitoring and evaluating employment policies within the member-states.

Methodology

The empirical research performed for this study includes a thorough analysis of primary documents such as European and national legislation, speeches made by elected and non-elected policy officials, and documentation produced by business groups, trade unions, and other civil society organisations, as well as an extensive survey of secondary sources. In addition, I conducted 40 interviews with representatives from the major stakeholders in the formation of social policy within the EU, Ireland and Germany, between 2003-04, in order to develop a complete understanding of the process through which social policy has been co-ordinated at the regional level, and the impact it has had upon the member-states. Each confidential interview was conducted face-to-face, predominately within the interviewee's office, lasted between 45 and 75 minutes, and followed a semi-structured format. While the same predetermined question set was used for all interviews, a more conversational approach was adopted within each interview. By using this format, the interviews were flexible and tailored to the interviewee's nature and priorities, while still ensuring that the same general areas of information were collected (McNamara 1999). These interviews have allowed a more robust understanding of the process of policy creation both within—and between—the three jurisdictions. Moreover, as the participants were assured of the confidentiality of the information that they provided, the interviews evolved into candid discussions that offered a degree of insight into the negotiations surrounding the development of social policy beyond what may be gleamed from official policy documents.

Using the participants in social partnership negotiations as a guideline, the type of groups interviewed for this research differed between the three jurisdictions. For example, within Ireland, where the social partnership negotiations have been extended to include civil society, a wide variety of groups were interviewed; in contrast, interviews in Germany were only performed with the government and the peak associations for business and labour, as Germany maintains a more traditionally structured corporatist arrangement. Only at the European level was my limitation to only interview official social partners loosened. As civil society groups are providing an alternative to neo-liberalism, I felt it necessary to include key organisations such as the European Women's Lobby and the European Anti-Poverty Network that are not included within the official label of 'social partners' within the EU.

The interviews were conduced in three stages, with the first series of interviews conducted in Dublin, Ireland. Interviews with elites from the Irish government and key social partners included representatives from the following nine groups:

- The Office of the Taoiseach
- The Department of Enterprise, Trade and Employment
- *Foras Áisenna Saothair* (the National Employment and Training Authority)
- The Irish Business and Employers Confederation
- The Irish Trade Union Congress
- The National Woman's Council of Ireland
- The Irish National Organisation of the Unemployed

- The National Youth Council of Ireland
- The National Centre for Partnership and Performance

The second series of interviews, conducted in Berlin and Bonn, Germany, involved elites from the German federal government and peak associations for business and trade unions, which included representatives from the following five groups:

- The Federal Ministry of Economics and Labour
- The Federal Ministry for Family Affairs, Senior Citizens, Women and Youth
- The German Permanent Delegation to the European Union
- *Budesvereinigung der Deutschen Arbeitgeberverbände* (the Federal Union of German Employers' Associations)
- *Deutscher Gewerkschaftsbund* (the German Trade Union Confederation).

The final series of interviews were conducted in Brussels, Belgium. Interviews with elites from the Commission, the European social partners, and civil society organisations operating at the European level represented the following six groups:

- The European Commission, Directorate-General Employment and Social Affairs
- The European Economic and Social Committee
- The Union of Industrial and Employer's Confederations of Europe[8]
- The European Trade Union Congress
- The European Women's Lobby
- The European Anti-Poverty Network

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[8] In January 2007, the Union of Industrial and Employer's Confederations of Europe [UNICE] changed its name to BUSINESSEUROPE, however UNICE was continued to be used throughout this study to ensure consistency.

Chapter Breakdown

The purpose of this study is to evaluate how the acceleration of globalisation and the project of European integration have affected the types of welfare policies and labour market strategies pursued by the member-states, looking specifically at the experiences of Ireland and Germany. Toward this end, this investigation argues that both of these states have noticeably shifted toward policies based upon neo-liberal principles. However, this shift was not inevitable. Rather, it stems from a contest between competing social forces that hold alternative ideological positions. Through the development of comprehensive concepts of control, such as the discourses around competitiveness and flexicurity, an emerging transnational class has begun to establish a hegemonic order based upon the principles of neo-liberalism. While the expansion of this historic bloc is being actively contested, this study will also show how recent developments are serving to reinforce this emerging hegemony. The theoretical framework adopted in this study, and introduced in this chapter, is further elaborated in the second chapter. Arguing that the dominant theories of European integration, supranationalism and intergovernmentalism, are unable to account for the development and expansion of hegemony, as well as the influence of globalisation, this study will draw upon the critical political economy framework. In addition, the second chapter will demonstrate the relationship between globalisation and European integration, and introduce both the neo-liberal hegemonic project and the limited challenge posed by the neo-socialist project to institutionalise support for the so-called European social model.

By examining the process through which social policy has been harmonised since the Treaty of Rome, the third chapter will investigate the institutional evolution of social policy within the EU. In particular, this chapter will show how the competition between different social forces seeking to entrench policies that reflect their competing ideals within the legislative framework of the EU has limited the scope to which regional social policy has been developed. In addition, this chapter will also demonstrate that pressure for further co-ordination has emerged as an indirect and secondary effect of regional actions to construct a single market. Consequently, the interaction of these two pressures resulted in an institutional arrangement that fosters an environment oriented toward the market and the ideology of neo-liberalism. In reaching this conclusion, this chapter will show the limited success of the neo-socialist project to establish a commitment to social democratic welfare policies at the EU level and the influence of the neo-liberal discourse on competitiveness in reinterpreting and reshaping the limited measures that are established.

The fourth chapter will survey the changing dynamics of socio-economic governance in the Republic of Ireland and how developments in European social policy and the practice of social partnership helped foster an ideological consensus between competing social forces. Focused on a wide range of social and economic issues, the social partnership agreements were centred on enhancing Irish competitiveness through fiscal conservatism, macroeconomic monetarism, and economic liberalisation. However, a number of pressures began to develop in the second half of the 1990s that created fissures in the hegemonic consensus. This chapter will also show that social democratic initiatives from the EU and increased influence from civil society organisations after they joined social partnership exerted a counter-hegemonic pressure upon the consensus. Nevertheless, these alternative positions are now being re-integrated into the governing consensus of embedded neo-liberalism, in parallel to the rising influence of the neo-liberal discourse of competitiveness at the European level.

In a similar manner, the fifth chapter will examine the historical conditions that led to the recent policy shift towards embedded neo-liberalism in Germany and demonstrate how developments within the EU have engendered a reorientation of German socio-economic governance. In particular, this chapter will indicate how the reciprocal relationship between German and European policy networks has led to a growing congruence between national and supranational policies. Toward this end, this chapter will also show how the German tradition of industrial relations was a critical factor in shaping the development of corporatism at the EU level. Finally, this chapter will conclude by examining the perceived crisis of the German welfare state and the manner in which developments in European social policy are contributing to domestic realignment toward embedded neo-liberalism.

Chapter Six will explore the extent to which a hegemonic order has been established in the EU and demonstrate that the dominant policy discourse at both the EU level and within a number of member-states is increasingly shifting towards neo-liberalism. In reaching this conclusion, this chapter will show that transnational capital has been relatively successful in positioning its understanding of competitiveness as a filter through which any further harmonisation of social policy must be debated. With its emphasis on market liberalisation, flexibility, and employment, this hegemonic project seeks to de-politicise economic governance as merely a scientific exercise of identifying 'best practices.' In addition, this chapter will also show that this trend toward treating regional social policy as merely administration, as well as the growing belief that the open method of co-ordination allows for the formation of a policy without ideology, is creating a process that is able to promote neo-liberalism while hiding behind the guise that it is ideologically neutral.

The seventh chapter will summarise the arguments made in this study by first reviewing both the research and the findings from the previous chapters. Following this overview, this chapter will discuss the implications of my research by detailing three core themes addressed in this study. First, this chapter will review the use of federalism as a conceptual tool to analyse transnational actors. After this assessment, the manner in which the mode of social relations of production accompanying the neo-liberal hegemonic project splinters transnational labour and presents the divisions between subordinate social forces as insurmountable will be addressed. Finally, the chapter will close by examining the limited ability of reform-based movements, such as neo-socialism, to effectively challenge neo-liberal hegemony.

CHAPTER TWO

THEORETICAL FRAMEWORK

Building off of the success of the European Monetary System in the 1970s, the European Commission under Jacques Delors began the push towards deepening integration in 1985 when it published the *White Paper on Completing the Internal Market*. Centred on devising concrete solutions to revive the program for economic and monetary union, the White Paper identified 300 specific legislative changes that needed to be enacted in order to remove all remaining non-tariff barriers. On the basis of this document, the member-states agreed to the Single European Act [SEA], which came into affect in 1987 and outlined how the single market would be achieved by 1992. In seeking to remove all remaining physical, fiscal, and technical barriers between the member-states, the SEA sought to create "an area without internal frontiers in which the free movement of goods, persons, services, and capital is assured" (SEA, Article 13). In addition to entrenching the so-called 'four freedoms,' the SEA also strengthened the relative power of the supranational institutions such as the European Court of Justice and the European Parliament.

The project of integration was further propelled when the Treaty of Maastricht was signed in December 1991. In addition to delineating areas of competence between the European Union [EU] and the member-states, which included an enlarged role for the supranational institutions of the EU in key policy areas and other institutional changes, the Maastricht Treaty also laid out the plan for establishing the Economic and Monetary Union [EMU]. Toward this end, 12 member-states replaced their national currencies in early 2002 with the euro, which resulted in a harmonised monetary policy administered by a supranational and independent European Central Bank. While the deepening of integration may have stalled with the 2005 negotiations surrounding the European Constitution, the EU has continued its widening trend; over the last 15 years the EU has undertaken three enlargements that has seen its membership more than double, from 12 in 1994 to the present 27 countries. After a prolonged period of stalling throughout the 1970s, these recent developments have led to a revival of the project of European integration that has redefined the political and economic relations within Europe.

One of the central contentions of this chapter is that the revival of the European integration project cannot be understood in isolation from the background of globalisation and the restructuring of the global political economy that has been occurring since the 1970s. Following Jan Aart Scholte (2005), I define globalisation as the accelerated growth of transplanetary and supraterritorial connections between people, whereas "transplanetary ('across the planet') relations refers to social links between people located at points anywhere on earth" and "'supraterritorial' relations are social connections that substantially transcend territorial geography" (61). While transplanetary connections have existed at many points throughout history, these linkages have grown more robust and extensive over the last 50 years (Scholte 2005, 101). In addition, the development of information and communication technology, as well as technological advances in transportation, allows for a greater number of social interactions to occur either 'simultaneously' or relatively 'instantaneously' (Scholte 2005, 61-2). In this manner, globalisation is engendering a number of social transformations, spanning the social relations of communication, identity, consciousness, travel, ecology, and production. However, for the purposes of this study, I have adopted a more narrow understanding of globalisation that focuses on the changing nature of production, which Scholte (2005) identifies as the "shift from capitalism towards hypercapitalism" (136). Characterised by a substantial expansion in both the type and the scope of social relations identified as commodities, as well as the new structural conditions of transnational accumulation and production, hypercapitalism is leading to new pressures upon the state.

Moreover, I contend that the process of transnationalisation is being driven by a shift in the dominant policy discourse from the post-war consensus around the Keynesian welfare state to a governance model increasingly defined by neo-liberalism. Following Scholte (2005), I conceive of this political ideology as building upon "the *laissez-faire* convictions of classical liberalism, which promise[s] that unconstrained market forces will 'naturally' bring prosperity, liberty, democracy and peace to society," and as promoting a political project that advocates the "large-scale removal of official interventions in the market, especially through measures of liberalization, deregulation, privatization and fiscal restraint" (38, emphasis original). Defined by a "discourse of governance that stresses the efficiency, welfare and freedom of the market and the actualisation of self through the processes of consumption" (Gill 2003, 119), this political project is seeking to establish a global hegemonic order. Consequently, since the 1970s, neo-liberal prescriptions have dominated policy discussions, particularly within the realm of socio-economic governance, and the contemporary acceleration of globalisation, as well as the increase transnationalisation of production, has been heavily influenced by this ideology (Cox 1993, 259-60). Still, the influence of neo-liberalism, and the political project that it accompanies, must not be conflated with the processes of globalisation. Despite the significant influence of neo-liberalism in defining how globalisation has unfolded, this does not mean that globalisation is solely defined by this ideology. As a result, globalisation needs to be understood as both a process and a project. While social forces adhering to the principles of neo-liberalism and monetarism are driving the processes of de-territorialisation and transnationalisation, this relationship is neither inevitable nor inherent. Through contestation and conflict, competing social forces seek to (re)define the structure of the global political economy in a manner that reinforces their relative power in the hope of establishing a hegemonic position in the world order. Global in nature, these structural changes have penetrated into the negotiations surrounding the project of European integration, as different social forces seek to promote their particular image of Europe.

This chapter demonstrates that the dominant theories of European integration, supranationalism and intergovernmentalism, are insufficient to examine the structural changes within Europe—caused in part by the restructuring of the global political economy—that have informed and defined the manner in which social policies have been harmonised in the EU. First, the chapter analyses the supranationalist approaches, detailing the federalist approach to European integration and examining the traditions of functionalism and neo-functionalism. Secondly, the chapter addresses the tradition of intergovernmentalism and the liberal intergovernmentalist approach developed by Andrew Moravcsik. Following this examination of the orthodox theories, the third section examines how a critical political economy perspective provides a more comprehensive means of examining the structural changes and competing social forces engaged in the promoting the project of European integration, and details the theoretical approach adopted in this study. Finally, the concluding section applies my theoretical framework to identify both the neo-liberal hegemonic project and the limited challenge posed by the neo-socialist project to institutionalise support for the so-called European social model.

The Supranationalist Approaches

The label 'supranationalism' is an overarching umbrella concept, encompassing a variety of theories that collectively understand the objective of European integration to be the development of a replacement entity for nation-states. Despite a wide diversity of theories, these approaches may be divided into two distinct traditions. First, the federalist tradition begins with the premise that the nation-state is obsolete as an institutional structure and seeks to "move beyond the limitations and hazards of a regional system consisting of competing nation states, and towards a more positive stage in the continent's political evolution" (O'Neill 1996, 21). In the destructive aftermath of World War II, a wide cross section of European society began to subscribe to this premise and work towards the development of a Federal Europe. However, even though the federalist movement solidified into a political force in 1946 when the various national groups merged to form the Union of European Federalists, it was unable to enact substantial change and was slowly marginalised as an active participant in the integration project. Eventually, federalism held more salience for members of the academy and political activists than mainstream politicians or the European publics, and a number of federalists gradually shifted into the other camp of the supranationalist approach, functionalism. Nevertheless, a number of the key principles and insights raised by these federalist theorists have remained integral to the integration project and, with the revitalisation that European integration has had over the last twenty years, a number of scholars have begun to (re)embrace this intellectual tradition. As contemporary developments were elaborated upon in Chapter One regarding the pseudo-federal nature of social policy, that discussion will not be repeated here.

The second aspect of the supranationalist approach is the intellectual tradition of functionalism that spans both the original post-war model and the neo-functionalist revision that emerged in the mid-1950s. Similar to the federalists, the initial articulation of this approach worked from the premise that the existing organisational structure of international politics—self-interested nation-states competing in a conflictual and anarchical environment—was merely a single stage in the evolutionary progression of political organisations. However, rather than focusing upon the development of a desired outcome, the functionalist approach attempts to identify the process through which international change occurs, positing that the current system had the potential to evolve into a "cooperative welfare community" (O'Neill 1996, 31). Toward this end, the functionalist approach was initially only applied to European integration in a peripheral manner. The majority of adherents of this approach followed the work of David Mitrany (1996), who focused on the attainment of a global solution to international conflict and argued that regional solutions or federations merely exacerbate the existing conflictual nature of international relations (188-9). Nevertheless, even though this approach did not seek to analyse the process through which European integration would proceed, the functional process of change developed by these theorists served as an intellectual precursor to the subsequent development of neo-functionalism (O'Neill 1996, 34).

The functionalist account, with its prescriptive approach, suggests that the development of a new "co-operative welfare community" is best achieved "by making use of the present social and scientific opportunities to link together particular activities and interests, one at a time, according to need and acceptability, giving a joint authority and policy limited to that activity alone" (Mitrany 1996, 189). Through the development of these limited linkages, relationships of co-operation will begin to emerge and the evolution toward a global community will be slowly propelled through a phenomenon that they identified as "spillover" (J. McCormick 1996, 16). Latching onto this explanation of international change, a number of academics and policy-makers within Europe attempted to put this theoretical approach into practice immediately after World War II through the development of the European Coal and Steel Community [ECSC], initially conceived by policy makers as the "first step in the federation of Europe" (Schuman 1950 [2006]).

Beginning in the late 1950s, Ernst Haas proposed a reformulation of the functionalist approach, seeking to inject a degree of scientific rigor into the framework by shifting it away from the prescriptive focus of Mitrany (O'Neill 1996, 37). Haas (1958) focused on the political dynamics surrounding the negotiations over the ECSC and the question of political integration, which he defined as "the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states" (16). While this echoes the objective of the federalist approaches, the neo-functional reformulation emphasises the process toward a "political community" rather than any firm commitment as to the exact format of that community (Pentland 1973, 101-2). Initially the expected outcome of political integration was assumed to be a supranational state, but later work by Haas and his followers served to make the threshold even more ambiguous. Shifting from the presence of supranational conflict resolution mechanisms to ensure a peaceful co-existence between states to the presence of a supranational entity that has legitimate authority to influence and shape policy decisions, the notion of supranationality finally became defined simply as a "distinct political form" in the mid-1960s (Pentland 1973, 101-2). Regardless, the focus of neo-functionalism has primarily been upon the process of political integration, rather than the final outcome.

Informed by the behaviouralist approach to political science, neo-functionalists attempted to shift the focus of the concept of spillover away from prescription and towards prediction. Arguing that the process of integration is self-perpetuated by its own internal logic, neo-functionalists expanded upon the concept of spillover by delineating it into three interrelated, but distinct, categories: functional, technical, and political (Schmitter 1996, 4-7). The first aspect, functional spillover, argues that if states integrate one sector of their activities, for example coal and steel production, then it will lead to subsequent integration of other sectors, because of the impossibility of isolating one aspect from another (J. McCormick 1996, 16-7). Following this, technical spillover suggests that disparity in standards across states will shrink and disappear as integration is deepened (J. McCormick 1996, 17). Finally, political spillover implies that interest groups will refocus their lobbying energy at the regional level as integration deepens and provides a barrier to reasserting national control (J. McCormick 1996, 22-3). Collectively, the process of spillover was understood to positively reinforce the mechanisms of regional integration and increase the likelihood of integration projects to both continue and deepen as time proceeds.

Following the so-called Empty Chair Crisis of 1965-6, the project of European integration entered a prolonged period of national re-entrenchment throughout the 1960s and 1970s in which the trend toward supranationalisation was either stalled or reversed, and theorists working within the neo-functionalist framework engaged in theoretical reflection to try and explain these developments. While initial articulations of spillover alluded to the inevitability of integration projects, work in the late 1960s sought to dilute the term by suggesting that spillover may only be one of a series of dynamic processes that may either propel or constrain the integration process (Pentland 1973, 118-9). Still, this rearticulation was unable to save neo-functionalism as an explanatory framework. This framework was developed to analyse the process of political integration in a "scientific and rigorous" manner, but the combination of the realities of the integration project within Europe and the theoretical adjustments and expansions made to explain the changes made it incapable of fulfilling its stated objective. First, despite attempts to broaden the concept of spillover, the focus of neo-functionalism upon the predictability of outcomes and the nature of political integration to positively reinforce itself implies some degree of inherent inevitability of the integration process. Secondly, by broadening the notion of supranationality to merely a "distinct political form," neo-functionalists are prone to mistake "style for substance," as the development of the European Economic Community [EEC] did not necessarily mean any net reduction of state sovereignty or the growth of any supranational power (Pentland 1973, 144-5). Finally, as this approach focused on explaining the process of regional integration by examining "the internal dynamics of European politics," it is unable to determine the scope to which changes within European integration are embedded within—and influenced by—wider structural changes of the global political economy (Bieler and Morton 2001, 14). Faced with the increasing inability of neo-functionalism to explain European integration, Haas (1975) declared the framework "obsolescent" and it has largely fallen out of disuse. As observed by Philippe Schmitter (2004), "virtually no one currently working on European integration openly admits to being a neo-functionalist" (45). Still, a number of theorists continue to draw on elements of this approach, and the resurgence of the integration project in the mid-1980s has led to a revival of the neo-functionalist framework.

In examining the growth of the single market, Jeppe Tranholm-Mikkelsen (1991) has demonstrated how the growth of the common market has demanded the fostering and creation of strong functional links and harmonisation in complementary issue areas. Similarly, the increasing importance of the EU has prompted a degree of political spillover to occur in the 1990s as different interest groups have begun to orient themselves toward the regional level (Rosamond 2000, 101). In addition, by ascribing to the Commission a degree of causal importance in regards to the integration process, a number of theorists suggest that integration only proceeds when political leadership—most typically through the Commission—provides the will for further movement (Hooghe 2001, 25-6). Increasingly, functionalism is not seen as an explanatory paradigm by itself, but it is part of the broader synthesis of theoretical explanations that the academy has used in recent years to explain the revival of European integration. In other words, while there may no longer be academics that identify themselves as neo-functionalists, the concepts and ideas of the framework—such as the notion of spillover—are still used to examine contemporary developments, even if they are relabelled (Schmitter 2004). Toward this end, the concept of spillover does assist in recognising how the process of integration provides for positive reinforcement; while it is not inevitable, the relative cost of reasserting national control and reversing the process becomes even greater as integration becomes deeper and more entrenched.

Intergovernmentalism

Informed by the realist tradition in international relations theory, the theoretical framework of intergovernmentalism maintains that the process of integration is being driven by states in an attempt to pursue their interests and enhance their relative power. As states are understood to be the most important actors within international relations—and that they are also understood as rational actors pursuing their national interests—the formation of regional associations like the EU cannot represent a net reduction of state power. Consequently, the history of European integration may alternatively be read as an attempt to rescue the nation-state rather than a process that would ultimately subsume it (Cini 2004, 96). Examining the history of European integration, economic historian Alan Milward (1992) suggests that nation-states within Europe were faced with ongoing societal dissatisfaction and insecurity in the immediate post-war era that was beyond the capacity of any individual government to address on their own (4). As the challenges these governments faced—such as the demand for a new supranational mode of social organisation beyond that of a nation-state—threatened the continued survival of the nation-state, governments needed to implement policies that acted to entrench long-term solutions. Similar to the notion of new constitutionalism proposed by Stephen Gill, Milward (1992) maintained that governments in the post-war era turned to the realm of intergovernmental negotiations in order to ensure the long term adherence to a particular policy direction by creating an international commitment that could outlast any governing coalition (2-3). Following this interpretation, the process of "integration does not necessarily entail the drift toward supranational statehood and states can be seen as controlling agents with an interest in the promotion of degrees of integration" (Rosamond 2000, 139). In other words, the process of integration was managed and controlled by states through intergovernmental co-operation.

The principal theorist of the intergovernmental tradition is Stanley Hoffmann, whose writings in the 1960s provided a direct criticism of the neo-functionalist account of integration. Rejecting the implied inevitability of spillover, Hoffmann (1964) asserted the continued viability of the nation-state as a model for social and political organisation, and critiqued neo-functionalists for ascribing the integration process with too great of a transformative potential (85-88). In contrast to the "logic of integration" proposed by Haas and other neo-functionalists, Hoffmann maintained that a historical examination of European integration demonstrates that it is best represented by a dialectic of fragmentation and unity (Cini 2004, 97-8). Preferring to focus on the "logic of diversity," this critique cautions against over-generalising similarities between nation-states, as both the plurality of domestic interests and the relative position within the global system is likely to be unique for each state (Rosamond 2000, 76). While these differences may lead to enhanced co-operation between states, it may alternatively lead to an increased conflict between governments as integration moves to include policy areas that are of particular interest to different nation-states.

In order to theorise why some forms of integration led to conflict between members, Hoffmann distinguished between areas of 'high' and 'low' politics, in which the former referred to areas of national interest and sovereignty, while the latter were more technocratic and uncontroversial. Contending that there was a clear boundary between the two different domains, Hoffmann suggested that despite allowing integration to proceed within the economic sphere, nation-states would likely resist any form of integration that impedes upon the domain of high politics. For Hoffmann (1964), integration would only proceed in these areas when "all parties have convergent expectation of gains," which becomes increasingly unlikely as integration deepens further, due to the wide diversity of participants in the integration process (87). In other words, nation-states will only pursue regionalisation so long as it reinforces the power of the state; the moment that regional co-operation threatens to weaken the relative power of a nation-state, then it will attempt to halt—or even reverse—the process.

The clearest example of Hoffmann's thesis on the limits of integration in areas of 'high' politics, and the impetus for much of the intergovernmentalist critique, was the so-called Empty Chair Crisis of 1965-6 and the resulting Luxembourg Compromise. Amidst negotiations over how the EEC would finance the Common Agricultural Policy, the French government recalled its Permanent Representative to the EEC on July 1, 1965, choosing not to participate in any meetings of the European Council or the Committee of Permanent Representatives. Due to the requirement for unanimity for all decisions of the EEC, the French boycott effectively halted all decision-making. Seeking to resist the increasingly supranational tendencies of the EEC, the decision of French President de Gaulle to withdraw France's representative to Brussels was prompted by the scheduled transition to qualified majority voting [QMV] for most European Council decisions that was specified in the Treaty of Rome to occur on January 1, 1966. Reached during a foreign ministers' meeting in January 1966, the Luxembourg Compromise was an informal agreement between member-states that stated that the European Council would postpone a decision subject to QMV, if any member-state felt that "very important interests" were under threat (European Council 1966). In effect, the compromise meant that QMV was used far less often and unanimity became the norm, marking a clear shift in the balance of power within the EEC away from supranationalists and toward intergovermentalists. Moreover, the increasingly hesitant role played by the Commission after 1966 in promoting increased supranationalisation further reinforced Hoffmann's contention on the limits of integration.

As Hoffmann's approach emerged as the dominant means to understand and analyse European integration, an increasing number of critiques confronted its central claims. Challenging the strict delineation between high and low politics, critics drew upon contemporary developments in the global political economy to illustrate how integration is proceeding into areas that were previously assumed to be sacrosanct (O'Neill 1996, 65). In contrast to the assertion of intergovernmentalism that integration would never move into the political realm, developments such as the European Political Co-operation in the 1970s, as well as more recent initiatives such as the single currency, the attempts at a common foreign and security policy, and the Constitutional Treaty, seem to disprove this point (Cini 2004, 99). Moreover, in drawing upon the theory of complex interdependence forwarded by Robert Keohane and Joseph Nye, Hoffmann was also criticised for misunderstanding how European integration may have also resulted from structural changes in the global political economy. Emphasising the increased constraints upon state behaviour due to growing levels of interdependence between states and other non-state actors, critics contend that an excessive amount of agency was ascribed to states in propelling integration and suggest that regionalisation might simply be a symptom of a larger phenomenon (Nugent 2003, 510-11). Finally, a group of scholars led by Simon Bulmer (1983) argued that any understanding of integration could not be accurate without taking domestic politics into consideration. Despite Hoffmann distancing himself from neo-realist understandings of the state, these critics still maintained that his approach failed to comprehend the transnational nature of integration and the impact that domestic politics are increasingly having upon the creation of European policy (Cini 2004, 100). For these critics, the "logic of diversity" did not go far enough to identify the specificity and impact of different national contexts.

In an attempt to tackle these criticisms, Andrew Moravcsik expanded the intergovernmentalist framework and merged the liberal theory of preference formation with the explanatory framework of interstate bargaining. Drawing upon the work of Robert Putnam (1988) and his metaphor of two level games, the approach of liberal intergovernmentalism [LI] seeks to demonstrate that the process of European integration has created "a successful intergovernmental regime designed to manage economic interdependence through negotiated policy co-ordination" (Cini 2004, 103). Emerging as the "baseline theory" used to examine regionalisation in Europe (Schimmelfennig 2004, 75), LI maintains that analysis must include both an understanding of how preferences are formed within each national polity and an examination of the dynamics of intestate negotiations that occur at the regional level in order to accurately comprehend the process of integration. To achieve this degree of comprehension, Moravcsik (1998) constructs a "tripartite explanation of integration—economic interest, relative power, credible commitments" (4)—to clearly illustrate the relationship between the two processes of integration.

The first component of LI centres upon how national preferences are formed. Unlike classical intergovernmentalism, which assumes that the national interest of a state is primarily defined by its relative geopolitical position, Moravcsik (1993) maintains that national interests are formulated through "domestic political conflict" as various interests within the state seek to shape government policy (481). Adopting a conception of national interest as a fluid and dynamic preference that shifts depending on the issue under consideration, LI perceives national governments as merely representing these interests within intergovernmental forums. As the history of European integration has primarily been focused on economic co-operation, the pre-eminent interests that contributed to the calculation of national interest within the context of integration were dominant economic groups that sought the maximisation of economic interests for their polity (Moravcsik 1998, 3). In this manner, LI suggests that states participate within the project of European integration only to promote their economic interests.

The second stage of LI focuses on the intergovernmental bargaining that occurs at the regional level. Following the internal formulation of national preferences, the different members then proceed to negotiate at the European level and attempt to influence the outcome so that it falls within their specific preference set (Moravcsik 1998, 60-3). Now treated as unitary actors, LI contends that member-states enter these negotiations in order to maximise each participant's allocation of the gains achieved through substantive co-operation (Cini 2004, 104). As intergovernmental co-operation within Europe seems to yield substantial benefits, the key focus of the negotiations are on solving "second-order" problems of international co-operation, including the issue of distributing mutual gains and the prevention of defections (Schimmelfennig 2004, 77-9). Toward this end, the outcomes of each negotiation reflected the relative power of states as filtered by the "preference intensity" each state held for increased integration (Moravcsik 1998, 62). Labelled as asymmetrical interdependence, Moravcsik (1998) suggests that within intergovernmental negotiations "those who gained the most economically from integration compromised the most on the margin to realize it, whereas those who gained the least or for whom the costs of adaptation were the highest imposed conditions" (3). Once again drawing upon Milward, LI asserts that the process of integration acts to strengthen member-states and that participants are still rational actors pursuing their national interests, despite agreeing to outcomes that may initially appear as sub-optimal (Rosamond 2000, 137-8). In other words, LI contends that states are able to recognise that the process of integration has the potential to create positive-sum outcomes over the long-term that will benefit every participant.

Finally, the third element of LI refers to the choice of member-states to delegate or pool decision-making power within regional institutions in order to ensure the credibility of commitments between participants. Drawing upon the theory of liberal institutionalisation (Keohane and Nye 1977), LI views international institutions as essential components to the creation of durable international co-operation. In this way, supranational institutions are created in order to deal with second order problems of international co-operation through investing these institutions with the authority to enforce "pre-commitments" and prevent defections (Schimmelfennig 2004, 80). In creating these institutions, states have the option of either pooling decision-making power through the adoption of non-unanimous voting methods within a given policy area, or delegating the authority to make autonomous decisions to supranational actors (Moravcsik 1998, 67). Similar to the relative power of states within intergovernmental negotiations, a state's preference for any given method for constraining sovereignty is subject to asymmetrical interdependence: "the higher the gains of a co-operative agreement for a government, and the higher the risk of non-compliance by other governments, the higher its readiness to cede competences to the EU to prevent potential losers for revising its policy" (Schimmelfennig 2004, 80). Moreover, another reason why member-states accept the restrictions upon their external sovereignty through regionalisation is that the creation of the regional institutions also acts to further "strengthen the autonomy of national political leaders vis-à-vis particularistic social groups within their domestic polity" (Moravcsik 1993, 507).

As LI has emerged as the dominant approach to examining the process of European integration, a number of criticisms have been forwarded against the approach. However, rather than surveying this wide range of literature (see Cini 2004, 105-7 or Schimmelfennig 2004 for an overview), this study will highlight two criticisms that are particularly relevant within the arena of social policy. First, by limiting its focus to national polities, and restricting the formulation of national interest to domestic social groups, LI fails to take into account the increasing influence of transnational actors in the process of integration. Transnational actors, such as transnational corporations or lobbying groups like the European Roundtable of Industrialists [ERT], behave as autonomous forces within Europe and maintain a presence within multiple states at the same time. By adhering to a state-centric perspective, LI can only identify these actors as unconnected economic interests competing within each state in the formulation of national interest (Bieler and Morton 2001, 16). In contrast to the reliance of LI upon Putnam's metaphor of the two level games, Philip Cerny suggests that the process of globalisation, and the development of new governance structures beyond the state system, leads to the formation of three level games. While maintaining the traditional conception of two-level games, the addition of a third level reflects the growth of "autonomous transnational processes comprising interactions which flow around, under, and above the state rather than going through it" (Cerny 2002, 211). Consequently, by not understanding the unique ability of transnational forces to transcend individual states, LI fails to take into account a key driving force that promotes further integration. In a related manner, the second criticism of LI also refers to its dismissal of transnational and supranational actors. Focusing only on interstate negotiations as the key stages in the process of integration obscures the degree to which integration is reinforced and propelled by the day-to-day behaviour of regional actors (Wincott 1995, 602). As such, an effective understanding of the decision-making process surrounding integration must also take into account the process leading up to the negotiations, the dynamics over agenda setting, and the struggle surrounding the ratification of negotiated agreements (Bieler and Morton 2001, 16-7). In dismissing the role of supranational officials as "futile and redundant" (Moravcsik 1998, 8), LI does not recognise that the process of integration is driven by a struggle between competing social forces at the national, supranational, and transnational levels.

Critical Political Economy

As a field of study, political economy seeks to encompass the academic disciplines of politics and economics by assuming that accurate analysis must include an understanding of the inter-related nature of these two aspects of social reality. In contrast to reductionist explanations found within the separate disciplines, political economy is concerned with demonstrating how political activity influences the economy and how the economy similarly influences political behaviour. Nevertheless, within the field there is considerable debate over the relationship between economics and politics. While accepting the interrelated nature of the two arenas, most mainstream approaches suggest that one area tends to hold causal priority over the other (Pistor 2004, 108-9). In other words, these theorists tend to conceptualise the power relationship between states and the market as a zero-sum game, whereby an increase of importance, authority, or power by one component necessitates a reduction by the other. Alternatively, critical perspectives to political economy contend that the two areas are inherently and systematically intertwined and that the assumed separation within contemporary discourse emerged through a historically contested process (Gill and Law 1987, xviii).

The distinction between problem-solving and critical theories provided by Robert Cox is particularly helpful to understand the difference between mainstream and critical approaches to political economy, and it is worth quoting him at length. For Cox (1996d), a problem-solving theory, such as mainstream approaches to both political economy and European integration, "takes the world as it finds it, with the prevailing social and power relations and the institutions into which they are organized, as the given framework for action. The general aim of problem solving is to make these relationships and institutions work smoothly by dealing effectively with particular sources of trouble" (88). While problem-solving theories are extremely useful in the examination of particular problems due to their parsimonious character, their ahistorical nature leads them to be very conservative and primarily focused on the maintenance and support of a given regime. In contrast to problem-solving theories, critical theory

> stands apart from the prevailing order of the world and asks how that order came about. Critical theory … does not take institutions and social power relations for granted but calls them into question by concerning itself with their origins and how and whether they might be in the process of changing. It is directed toward an appraisal of the very framework for action, or problematic, which problem-solving theory accepts as its parameters. (Cox 1996d, 88-9)

As a result, a critical political economy [CPE] perspective investigates the foundational structure of economic and political behaviour and seeks to understand how and why a particular structure has been established. By focusing on social power, these "perspectives analyse which hegemonic project has been successful, which projects lost out, and which projects may become the platform for future contestation" (Bieler and Morton 2001, 21). In particular, this theoretical framework enables research "to search for the most useful way of understanding the social and political world in order to change it" (Cox 1987, 393).

In adopting this framework, this study is able to examine the role of key social forces in shaping the structure of socio-economic governance in the EU. Moreover, my approach must be understood within the broader field of CPE and how this theory can be applied to analyse European integration. Reflecting the wide diversity of theorists that draw upon this framework, the application of CPE to evaluate the EU has not been performed in a uniform manner (Morton 2001, 37). Nevertheless, Marcus Pistor (2004) has identified three broad categories of CPE perspectives that have been used: regulation theory, the York school of global political economy, and the Amsterdam approach to international political economy.

The first variant of CPE, regulation theory, focuses upon the systemic examination of capitalism and the manner through which the system is reproduced and maintained. Rejecting the assumption that there is "a single objective logic of capitalist development," these theorists investigate "how capitalism could survive even though the capital relation itself inevitably generated antagonisms and crises which made continuing accumulation improbable" (Jessop 1990, 307-9). While the contradictions and antagonisms of capitalism mean the system is subject to crises that may threaten its continuation, this approach suggests that short-term stability is ensured through establishing a hegemonic development model. These development models consist of three aspects, and all three need to be constructed in order for any particular model to be entrenched within a system. First, it must include a labour process model that seeks to define the general principles through which the division of labour, both within and between firms, is organised (Lipietz 1992, 2). While not every firm is necessarily organised in this manner, the labour process model acts as a demonstration of 'best practices' and serves as the exemplar model to which other firms, sectors, or regions are encouraged to emulate. Secondly, the development model includes a regime of accumulation, which is defined as the “logic and laws of macroeconomics” that describe the

> conditions of production on the one hand (productivity of labour, degree of mechanization, relative importance of the various branches of production) and, on the other hand, the conditions under which production is put to social use (household consumption, investment, government spending, and foreign trade). (Lipietz 1992, 2)

Finally, the third component of a hegemonic developmental model is the mode of regulation, which “is a set of meditations which ensure that the distortions created by the accumulation of capital are kept within limits which are compatible with social cohesion within each nation” (Aglietta 2000, 391).

While the three components are clearly interrelated, the emergence of a development model is neither an inherent or pre-ordained aspect of a capitalist system, nor can the establishment of any component be merely reduced to the creation of another. Instead, regulation theory contends that the establishment of a development model results from competing actors within the system seeking to establish a hegemonic order, such as the interaction between fractions of labour and capital following World War II that led to the creation of a particular developmental model within most advanced capitalist economies (Pistor 2004, 113-4). Identified by this approach as the ‘Fordist Compromise,’ this broad consensus led to the development of welfare regimes loosely based upon the economic theories of John Maynard Keynes and William Beveridge. The class compromise of Fordism successfully established all three aspects of the development model: a labour process model influenced by Taylorism; a regime of accumulation defined by mass production, mass consumption, and nearly full employment; and a mode of regulation that included a particular welfare regime based upon the historical development of each state. Primarily focusing on the crisis of Fordism that occurred in the 1970s, and investigating the model of post-Fordism that followed it, regulation theory is largely concerned with examining different developmental models of capitalism. As a result, regulation theorists argue that the resurgence of the European integration must be understood in the context of the crisis of Fordism and the global restructuring of its developmental model. Changing dynamics in the regime of accumulation, such as the transnationalisation of production and finance, growing government deficits, accelerating unemployment, and declining rates of profit in existing industrial practices, has prompted the adoption of new integration initiatives, such as the EMU and the EES. According to regulation theory, these initiatives stemmed from the efforts of competing social forces to establish new modes of regulation at the regional level within Europe (Pistor 2004, 114). In other words, the regulatory norms and institutions that were established resulted from a broad compromise around the key organising principles of neo-liberalism, rather than a single unified force to establish a hegemonic order.

The second CPE approach to European integration, the York school of global political economy, builds off of the critical realist framework developed by Cox in the early 1980s. Drawing upon the work of the Italian Marxist Antonio Gramsci, Cox sought to explain both the operation of hegemony at the international level and the manner in which world order is transformed (Bieler and Morton 2001, 5). Focusing their analysis upon material capabilities, ideas, and institutions, theorists ascribing to this approach suggest that these elements generate hegemony, which serves to structure the global political and economic environment into an order that is coherent with the aims of the dominant actors (Caporaso 1993, 473). Identifying the contemporary epoch as a neo-liberal order, these theorists look to the influence of such forces as multinational corporations and private financial institutions in promoting the ideology of neo-liberalism and in creating the material conditions of an extensive reward and punishment system that sustains its hegemony through ensuring compliance (Helleiner 1994, 16).

The principal theorist applying this school of thought to the examination of European integration is Gill (2001), who argues that the resurgence of the integration project in the 1980s must be viewed within "the context of global patterns of power and production, as aspects of the political economy of globalisation" (49). In this manner, European integration is understood as a manifestation of the global trend toward the institutionalisation of the ideology of disciplinary neo-liberalism through the "quasi-legal restructuring of state and international political forms" that Gill (2003) labels new constitutionalism (131). As part of a global trend, this movement towards institutionalisation is being performed within Europe as different social forces seek to promote their particular image and reinforce their relative power. In identifying the emerging hegemonic order as disciplinary neo-liberalism, the York school seeks to demonstrate how the process involves the merger of the socio-economic ideology of neo-liberalism with both the structural power of capital and the disciplinary power of panopticism. Drawing upon the work of Michel Foucault, Gill (2003) defines panopticism as a form of social engineering whereby behaviour is modified into obedience and acquiescence of a dominant social order through the application of observation and the normalisation of discipline (130-5). One of the key examples of this process is the institutional framework of the EMU, which seeks both to discipline governments into adopting new patterns of economic governance based upon strict fiscal discipline and to focus monetary policy on preventing inflation (Gill 2001, 49-51). Moreover, the York school also identifies the EES, with its emphasises on establishing labour-market strategies through the establishment of bench-marking and the recognition of best practices, as well as the increased role of surveillance, transparency, and reporting through the requirement of National Action Plans, as a component of disciplinary neo-liberalism.

The final variant of CPE applied to the process of European integration was developed by a number of academics working within the Department of International Relations at the University of Amsterdam in the 1980s and 1990s—collectively identified as the Amsterdam approach to international political economy—and echoes the assertion made by regulation theorists that the conditions for the reproduction of a capitalist system are not inevitable and must be created by establishing hegemony over the system. However, unlike regulation theorists, this approach locates the formation of a hegemonic order within the "socioeconomic relationship between different fractions of the bourgeoisie, and between (fractions of) the bourgeoisie and (parts of) the working class" (Holman 1992, 12-3). Through the use of comprehensive concepts of control, the dominant fraction of capital seeks to transform its position of supremacy within the system to one of hegemony (Pistor 2004, 119). Within the EU, one of the key comprehensive concepts of control that has been constructed to assist in the formation of a transnational hegemonic order is the discourse surrounding competitiveness, which has emerged as a "master policy discourse to which other policy discourses are subordinated" (van Apeldoorn 2003, 114). Moreover, this approach also emphasises how ideologies and ideas must first be transformed into political strategies and public policies in order to effectively redefine the mode of regulation governing a system (Holman 1992, 17-20). In other words, while this approach does acknowledge the impact of ideology and ideas in shaping the structure of a system, it also demands the empirical analysis of policy frameworks in order to determine the impact of competing social forces upon any given order.

Reflecting the emphasis of the Amsterdam approach on applying its theoretical framework to empirical studies, the premises of this framework have been formulated through its examination of the processes of European integration. In particular, theorists working within this perspective suggest that the revival of the integration project in the 1980s was contextualised by the collapse of the Fordist Compromise, the internationalisation of the state, and the transnationalisation of production and finance (Pistor 2004, 120-1). However, the resurgence of integration can neither be reduced to a functional response to these structural transformations nor limited to economic integration; the revival of integration can be only explained by examining the role of the emerging transnational class as agents establishing a hegemonic order. As a result, the Amsterdam approach focuses upon the role of the ERT as a mechanism for class formation at the transnational level to successfully articulate new comprehensive concepts of control and unite different factions of the capitalist class within Europe (Holman and van der Pijl 1996, 69-71). As demonstrated by Bastiaan van Apeldoorn (2001, 2002, 2003, 2006), the ERT was instrumental in both consolidating the multiple fractions of the emerging transnational capitalist class around neo-liberalism and mobilising its members into successfully engaging within the transnational contestation over the future of Europe. Through engaging with both national governments and the supranational institutions of the EU, neo-liberal social forces were able to redefine and reshape the institutional framework of European integration to reflect their ideological position. Identifying this outcome as 'embedded neo-liberalism,' van Apeldoorn (2006) contends that this compromise

> defines the social purpose of European integration primarily in terms of interests bound up with transnational capital, with the concepts of competitiveness and benchmarking being mobilized to promote a neo-liberal restructuring of the European political economy. However, ideologically and to a limited extent materially as well, the interests of other groups are also taken into account. (311)

Consequently, the Amsterdam approach conceptualises the present compromise of embedded neo-liberalism as a new hegemonic order with the EU; for these theorists, the contestation that is occurring between different social forces in Europe implies that this hegemony has entered into a crisis and is in decline.

In order to evaluate how the project of European integration has affected the types of welfare policies and labour market strategies pursued by the member-states, I have adopted a neo-Gramscian perspective that draws from the different CPE approaches. In particular, I draw upon both the understanding of hegemony developed by the York school and the concept of transnational class articulated by the

Amsterdam approach to demonstrate how dominant social forces have used comprehensive concepts of control to structure the policy environment in the EU. As such, the primary focus of the study is on the content of integration rather than the institutional form of integration. Despite the assertion presented in Chapter One that the harmonisation of social policy has resulted in a form of nascent federalism, I am not concerned with determining if the EU is merely an intergovernmental organisation or a new supranational entity; the use of federalism is an attempt to conceptualise the new manner of shared authority that has occurred. Consequently, I am interested in how social forces use these new mechanisms of governance to promote and extend their own particular ideological perspective. By examining the interaction and competition of different social forces, CPE focuses on identifying what "social purpose is served by the European project" (van Apeldoorn 2006, 307), and it allows me to investigate why member-states in the EU are increasingly shifting their welfare regimes to conform to the principles and ideals of neo-liberalism. In the final section of this chapter, this neo-Gramscian approach is briefly applied to identify both the hegemonic project pursued by transnational capital and the limited challenge posed by the neo-socialist project to institutionalise support for the so-called European social model in order to preview and contextualise the findings in the following four chapters.

Conclusion

The understanding of hegemony adopted in this draws from the work of Gramsci and Cox. Concerned with the process of identity formation and subjectivity, Gramsci sought to determine the role of ideas in both the reproduction and the transformation of a system of domination (van Apeldoorn, Overbeek, and Ryner 2003, 36-7). Unlike more orthodox approaches of hegemony, such as neo-realism, which limits hegemony to superior material capability, a neo-Gramscian understanding also includes an ideological component in order to understand the consensual basis of domination (Cox 1996d, 102-4). The need for hegemony to foster the development of acquiescence throughout a society is informed by the inherent differences between social classes; the particularity of any given class impacts upon its ability to establish a hegemonic order that both serves their interests and is accepted by the other components of society. By using different institutions within society to shape and define the consciousness of the public through transmitting values, life-styles, cultural orientations, and behaviours, the ruling class is able to present its particular interest as the general interest of the society (Cox 1996c, 126-7). To the extent that these cultural beliefs are internalised by the majority within society and accepted as 'common sense,' the ruling class is able to secure its hegemonic position by establishing a historic bloc (Bieler and Morton 2001, 20).

However, a historic bloc is engendered by the development of a broad consensus between different class fractions by a dominant social class seeking to establish a hegemonic project. Initially, a conflict between two key fractions of the transnational capitalist class over the social purpose of the EU prevented it from coming together in a historic bloc. First, the neo-mercantilist fraction sought to use the development of a single market to promote trade diversion through regionalisation (Hveem 2006, 298). Concerned with the impact that globalisation was having upon the relative competitiveness of European firms, more 'regionally-oriented' European capital desired the creation of a protectionist regime that would help transform national champions into European champions through the development of larger economies of scale (van Apeldoorn 2006, 309). On the other hand, the neo-liberal fraction, consisting primarily of 'globally-oriented' European capital, sought to implement a more radical program of economic liberalisation that expanded free trade within Europe and integrated the European market more fully with the global political economy (van Apeldoorn 2001, 74). As demonstrated by van Apeldoorn (2001, 2002, 2003, 2006), the conflict between these two fractions of the transnational capitalist was eased by negotiations within the ERT, as the competing visions became consolidated around neo-liberalism. While elements of the neo-mercantilist project do still exist, they are now primarily tied to reasserting national sovereignty rather than redefining the social purpose of the EU.

In contrast to the other two hegemonic projects, the third hegemonic project of neo-socialism consisted of subordinate social forces who attempted to institutionalise support for the so-called European social model within the project of European integration (van Apeldoorn 2006, 310). Left explicitly undefined, discussions surrounding the European social model often concentrated on identifying the 'other'—such as when Anna Diamantopoulou (2003), European Commissioner for

Employment and Social Affairs from 1999 to 2004, suggested that the idea of the European social model is used to indicate that "EU work and welfare policy is not the same as, for example, US policy in these fields [or] … the notion of the European Social Model as a political counterweight to the EU fiscal rules limiting excessive government deficits, commonly known as the 'Stability Pact.'" (1). However, as was demonstrated in Chapter One, a more accurate discussion should revolve around the concept of European social *models* in order to represent the diversity of welfare regimes present within the EU. Following the typology developed by Gøsta Esping-Andersen (1990), three distinct ideal-types may be identified: liberal, conservative, and social democratic. In this manner, the initial discussions of the European social model were principally defined by the social democratic orientation of the Delors Commission, who identified social solidarity and employment creation as the core components. For example, by calling on member-states to develop active and preventative social policies that emphasise "social reinsertion" into the labour market and employment, rather than residual payments or social protection, the European social model was defined in the 1993 *White Paper on Growth, Competitiveness, Employment* in terms of enhancing four key types of solidarity—gender, generational, regional, and 'neighbourly'—throughout Europe (European Commission 1994b, 16-7). By concentrating on reforming the labour markets of the member-states, the Commission recommended a wide range of policies focused on moving greater numbers of the population into the labour market in order to expand the employment rate (European Commission 1994b, 145-6). In this way, these proposals echoed the bias of social democratic welfare regimes in maximising the labour supply through the expansion of the social service (Esping-Andersen 1990, 159). In a similar manner, one European official observes the creation of the EES, with its emphasis on "developing active labour market policies," was also an attempt to establish an international space for "Scandinavian approach of integrating employment policy and economic policy" (Author's Interview). However, in moving from the recommendations of the Commission to the implementation of European practices, the social democratic focus of the European social model was diluted so that it could be integrated with both the liberal and conservative welfare traditions.

At the same time, neo-liberal social forces were seeking some way of integrating elements of the neo-socialist project in an attempt to establish a hegemonic order. Taking advantage of the variation of the European social models, transnational capital began to associate their project with the liberal welfare regime, due to the similar emphasis on market freedom. Just as liberal welfare regimes adopt a minimalist approach to the labour market, encouraging the market to expand and increasing the demand for labour while only implementing residual programs (Esping-Andersen 1990, 159), the neo-liberal project also advocates economic efficiency through minimising state involvement in the economy. Through their association with the liberal welfare regime, neo-liberal social forces participated in negotiations over the harmonisation of social policy in the EU by emphasising the minimalist nature of the liberal social model and seeking to curtail the development of more active measures and positive integration. That being said, it is important not to conflate these two groups, as the neo-liberal hegemonic project and the proponents of the liberal welfare regime consist of separate, but overlapping, social constituencies. Nevertheless, by working in tandem, the two groups reinforced the need to ensure that any measures to co-ordinate social policies between the member-states would enhance 'market freedom.' As a result, these social forces have been relatively successful in reinterpreting the neo-socialist hegemonic project of institutionalising the European social model by ensuring that EU social policy is primarily focused on maximising the relative competitiveness of the European economy. Reflecting both the rise of 'competitiveness' as a key comprehensive concept of control, and the manner in which this discourse is increasingly framed in neo-liberal terms, the ability to define the meaning of European social model enables the creation of a transnational hegemonic order in the EU.

Still, the notion of competitiveness is not exclusive to neo-liberalism, and both this idea and the definition of the European social model are being contested. Initially promoted by the ERT and other neo-liberal social forces during the launch of the Single Market, competitiveness emerged as an amorphous concept that all three hegemonic projects attempted to define (van Apeldoorn 2003, 125-6). Echoing their focus on developing of 'European champions,' neo-mercantilist social forces defined competitiveness as "enhancing the global market power of European industry *against* non-European competition through government intervention and protectionism" (van Apeldoorn 2003, 125, emphasis original). While the neo-socialist definition also included provisions for government action to improve the relative competitiveness of Europe, these proposals focused on using "corporate strategies" and "public policy" to enhance the "competitive advantages" of Europe (European Commission 1994b, 71). Stressing the need for governments to actively co-ordinate market behaviour in order to augment the capability of Europe to compete in the global market, the neo-socialist project advocated state investment in education and training programs to take advantage of the global shift toward a "knowledge-based economy," as well as active measures to move citizens into paid employment (European Commission 1994b, 75-77). In contrast to the neo-socialist program, the neo-liberal concept emphasised promoting market freedom to develop the relative competitiveness of European business. Within social policy, a key component of this definition is the attempt to subordinate concerns of de-commodification and social solidarity "to the demands of labour market flexibility and employability and to the demands of structural or systemic competitiveness" (Jessop 2003, 39).

During the early 1990s, the differences between the two hegemonic projects of neo-mercantilism and neo-liberalism were overcome, as both fractions of European capital were articulated into the neo-liberal definition (van Apeldoorn 2003, 121). To a large degree, the convergence between the two fractions substantially increased the relative influence of European capital to define the social purpose of European integration. As a result, transnational capital was able to ensure that the institutional framework of the EMU enforced a policy commitment to low inflation, fiscal discipline, and the free movement of goods and services (Gill 2001 47-8). However, despite the success of transnational capital to shape the EMU, and the increased pressure posed by deeper integration on national welfare models to engage in a practice of "competitive deregulation" (Bieling 2003, 52), measures directed at the harmonisation of social policy at the EU level were still defined by the neo-socialist project. As noted above, most proposals were initially characterised by an attempt to institutionalise state action to promote employment growth and social solidarity. Nevertheless, a number of more recent developments have acted to reshape these debates by elevating the concept of flexibility until it has come to equal, or even surpass, the notion of solidarity within social policy discussions at the EU level. First, the operation of the EES and the use of social policies became embedded within the discourse of competitiveness, and explicitly tied to the quantitative targets adopted during the Lisbon European Council in March 2000. Secondly, the decision reached at the Barcelona European Council (2002b) to align the formation of the Employment Guidelines with the Broad Economic Policy Guidelines effectively subordinates the operation of social policy to the goal of economic efficiency (de la Porte and Pochet 2004, 75). Finally, the compromise concept of flexicurity is being established as a social policy 'best-practice,' combining "flexible labour markets" with "good social protection offering high unemployment benefits" (European Commission 2006, 15). By merging the focus of employment creation with market freedom, the concept of flexicurity may be seen as a defining concept that serves to firmly establish a neo-liberal hegemonic order by effectively re-articulating aspects of the neo-socialist project into a transnational historic bloc.

As demonstrated by this brief discussion, this study uses a neo-Gramscian perspective to examine the role of globalisation and transnational actors in shaping the social purpose of European integration. In the next three chapters, this theoretical framework will be applied to analyse the institutional evolution of social policy within the European Union, the changing dynamics of socio-economic governance in the Republic of Ireland, and the historical conditions that led to the recent policy shift towards embedded neo-liberalism in Germany. Following these separate discussions, the sixth chapter will synthesise the debates from the previous three chapters to explore both the manner in which a hegemonic order has been established in the EU and the degree to which the dominant policy discourse at both the European level, and within a number of member-states, is increasingly shifting toward embedded neo-liberalism.

CHAPTER THREE

THE CREATION OF A EUROPEAN SOCIAL POLICY

The idea of a European social policy is a bit of a misnomer, as the majority of social policy within the European Union [EU] is primarily the purview of the member-states. While there are increasingly areas of overlapping competence and joint responsibility, most assessments contend that this limited co-ordination does not constitute any substantive shift of responsibility to the regional level (see Falkner 1998; Moravcsik 1998; Tsoukalis 1993). According to this perspective, social policies are still the exclusive jurisdiction of national welfare regimes, in contrast to the market-building focus of the broader project of European integration. Moreover, an initial examination of the policy architecture at the regional level serves to reinforce this belief. The EU neither has any legislative mandate for social policy nor the organisational capacity to operate a European-wide social policy; it does not grant individualised entitlements, directly collect tax to fund a social budget, or even possess a welfare bureaucracy within Brussels (Leibfried 2005, 244). Furthermore, within the Treaty framework, the European competency over social policy is limited to actions that "support and complement the activities of the member-states" (Art 137(1)), and the Community must use 'soft law,' through the open method of co-ordination [OMC], to have any impact upon the welfare policies of the member-states. However, the assumed autonomy of the member-states is much less absolute in practice. While the legislative responsibility for social policy within the EU is still mandated to the member-states, both the project of European integration and the changing nature of production under globalisation have slowly eroded the capacity of European states to exercise exclusive sovereignty and autonomy over welfare policy.

The regional co-ordination of social policies has been advanced through two avenues. First, competing social forces representing different ideological positions have sought to entrench policies reflecting their competing ideals within the legislative framework of the EU. Moreover, the relationship between the social forces advocating European legislation and the legislative output has been relatively dynamic. Lobbying at the EU level is not the exclusive domain of any single aspect of European society; consequently, European legislation does not reflect a single ideology. Developments at the European level represent many different interests, ranging from the creation of the Social Charter, to the equal wage provisions for men and women included in the Treaty of Paris, as well as the changing focus of the European Employment Strategy [EES] toward worker adaptability and individual responsibility. Still, the degree of active measures to regulate social policies within the EU is quite limited, as the competition between the different social forces often results in a stalemate between them and a lack of new policy creation.

However, the lack of new policies being created at the EU level does not necessarily mean that pressure for further co-ordination does not continue to exist. This second pressure toward the further regional co-ordination of social policy between member-states is much more indirect, and it often results from a secondary effect of regional actions to construct a single market. For example, the development of Regulations governing the co-ordination of labour mobility between member-states were initially intended to establish an international regime of standards that would still enable the autonomous existence of national welfare regimes (Maas 2005, 1020). However, these early Regulations were used in decisions of the European Court of Justice [ECJ] to expand the conceptual understanding of labour mobility and impose market compatibility requirements upon member-states that considerably restricted their capacity to implement autonomous welfare policies (Leibfried 2005, 244-5).[1] As a result, the minor levels of co-ordination adopted within the Treaty of Rome became transformed—through judicial interpretation—into strict measures that mandated a particular implementation of welfare provisions within the member-states. While this development is similar to the phenomenon of spillover presented by the theoretical approach of neo-functionalism, an important distinction must be identified. In contrast to the assumption forwarded by neo-functionalists that spillover represents a general law of regional integration projects, the observation that this trend has occurred within the realm of social policy is neither meant to suggest that it may be generalised to all policy areas within the EU nor that this process is inherently self-reinforcing. The implementation of secondary effects does not result from pressures imposed by the structure of the integration project, but from the actions of competing social forces representing differing ideological perspectives.

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[1] The first Regulations adopted by the Council were EEC 3/58 and EEC 4/58, both of which focused on regulating the social security of migrant workers; these Regulations were later superseded by Regulations 1408/71 and 574/72 and extended to third-country nationals in Regulation 859/03. All Regulations governing the co-ordination of social security provisions for migrants within the EU were harmonised under Regulation 883/04.

This chapter demonstrates how the manner in which social policy has been harmonised within the EU has fostered an environment oriented toward the market and the ideology of neo-liberalism. The first section examines the initial measures adopted by the European Community to co-ordinate social policy at the regional level. Following this assessment, the second section focuses upon the limited success of social democratic forces, working in conjunction with the Delors Commission, to inject a social dimension into the emerging single market. Thirdly, the chapter outlines the role of judicial activism and interpretation by the ECJ in expanding the applicability of European regulations, demonstrating how key decisions have restricted the ability of member-states to pursue autonomous social policies. Returning to more active attempts to co-ordinate social policy at the regional level, the fourth section demonstrates how the social-democratic initiative of the EES is being implemented in a manner that reinforces neo-liberalism. Fifthly, the chapter examines how the European Commission, in conjunction with other social forces working at the regional level, has expanded the use of the OMC beyond the provisions within the Treaty framework to regionally co-ordinate efforts to combat social exclusion. Finally, the chapter concludes by examining the informal and ad hoc pressures faced by the welfare regimes of the member-states from the broader project of European integration, and how the re-orientation of social policy within the EU relates to the broader transformation in the mode of regulation governing advanced capitalist economies.

Early Steps Toward Co-ordination

The scope to which social policy should be harmonised at the regional level has been continuously debated as the project of European integration has evolved, beginning with the negotiations surrounding the Treaty of Rome in 1956-7. At that time, the debate crystallised into two perspectives: those that contended harmonisation of social policies would be a natural consequence of economic co-ordination, and those that felt it was a necessary precondition (Bean et al 1998, 5). While market-oriented groups such as the Organization for European Economic Co-operation promoted the former view and argued that wage competition within a common market was essential for maintaining comparative advantage, the conditions agreed to within the Treaty of Rome reflected a general acceptance of the latter view (Bean et al 1998, 5-6). As a result, the original six member-states of European Economic Community [EEC] sought to ensure that any differences in social policy that led to specific distortions in competition could be resolved at the regional level by the Commission (Intergovernmental Committee on European Integration 1956,14). Concentrating on resolving market-distorting differences, the agreement reached within the Treaty of Rome achieved a compromise between the competing positions by recognising the need for some degree of harmonisation within specific areas, such as gender equality in pay rates between men and women and the equivalence of paid holiday schemes between member-states, without developing any system of enforcement to ensure compliance. While the Treaty does include general provisions within Article 121 that allow for increased harmonisation to deal with specific distortions,[2] these have never been applied to social policy, and no more integration was performed over the following fifteen years.

However, in the wake of the first wave of expansion in 1971 and the economic downturn in the early 1970s caused by the first oil shock, the member-states acted to expand labour standards in the Community. Initiating the first Social Action Programme [SAP], the EEC attempted to develop a plan of action to further deepen the scope of harmonisation. Focusing on three areas, the SAP sought to achieve full employment, improve working and living conditions throughout the Community, and broaden gender equality (Padoan 2001, 208). Toward this end, the adoption of the SAP in 1974 led to the development of three sets of Directives in an attempt to implement its objectives. First, the member-states adopted 30 Directives on health and safety at work, ranging in content from the handling of biological, chemical, and physical agents to other accident hazards and environmental conditions within the workplace. Secondly, three Directives were adopted that expanded employee rights within the EEC, mandating that firms must consult with their employees prior to initiating collective redundancies (75/129), transfers of firms (77/187), and bankruptcies (80/987). Thirdly, the EEC also adopted two Directives that reinforced the commitment to equal treatment between men and women; the principle of equal pay for men and women was entrenched within Directive 75/117, and the principle of equal treatment for men and women in regard to working conditions, and access to employment, vocational training and promotion was entrenched within Directive 76/207.

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[2] Article 121 of the Treaty establishing the European Community states that "the Council may, acting unanimously and after consulting the Economic and Social Committee, assign to the Commission tasks in connection with the implementation of common measures, particularly as regards social security for the migrant workers referred to in Arts. 48 to 51."

Similarly, the adoption of the SAP also led to the reform of the European Social Fund [ESF] in a way that significantly re-oriented the social policy agenda within the EEC in general, and the cohesion countries in particular. The first incarnation of the Fund, set up by Article 123 in the Treaty of Rome, was initially centred on retrospective reimbursement and became unintentionally focused on reinforcing existing national programs and priorities. In an attempt to improve the operation of the ESF and reorient it to serving the needs of the EEC as a whole, as opposed to merely the disparate national goals, the Commission proposed considerable revisions. The new Fund had a greater focus on relieving regional unemployment disparities, and the concentration on retroactive funding was replaced by an application procedure that enabled the Commission and the Social Fund Committee to have a more substantial input into the types of policies financed by the program. For example, the existence of the ESF had a considerable impact on the types of policies adopted within the Republic of Ireland throughout the 1970s and 1980s. In the midst of a policy environment primarily focused on combating unemployment through stimulating demand, one Irish official argues "the perceived reduction of the cost of the provision of vocational training, so long as the programs met the European conditions … served to influence Irish policy" and stimulated the development of more active policies that focused on the supply of the labour market (Author's Interview). By creating a perceived cost-reduction in the provision of vocational training, the Fund prompted the introduction of education reforms and job placement measures that directly contributed to the high levels of growth experienced by Ireland in the 1990s. While the ESF continued to have a considerable impact on shaping the employment strategies of the cohesion countries, with its focus on counteracting structural unemployment and creating jobs and training schemes for young people, the more general project of European integration remained relatively stalled in the 1970s.

However, the resurgence of the European integration project in the 1980s, which saw both a widening and a deepening of integration, provided an impetus for a radical transformation in both the scope and mandate of regional social policy within Europe. The two Southern expansions of the EEC, Greece in 1981 and Spain and Portugal in 1986, redefined the agenda of European social policy. With one-third of the member-states now classified as cohesion countries, the use of collective funds and actions to assist in the development of its members took on increased salience, as can be seen by the 1988 revision of the ESF (Casey 1993, 174-5). Moreover, the new intra-regional disparity in income levels and labour costs led to a renewed discussion regarding the need to develop some degree of harmonisation or co-ordination of social policies between the members (Bean et al. 1998, 8). At the same time, the Commission, led by Jacques Delors, launched the Single Market programme in the mid-1980s after over 10 years of low economic growth and increasing levels of unemployment throughout Europe.

Expanding the Scope of Social Policy at the Regional Level

In an attempt to rejuvenate the supranationalist aspect of European integration, the Commission sought to remove all barriers to the intra-regional mobility of goods, services and key factors of production, including both capital and labour through the Single Market initiative in 1985. Taking advantage of both the new policy space caused by the Single European Act and the increased receptivity of member-states to developing regional solutions due to the structural changes in the political economy of the EEC, the Delors Commission took a procedural and pragmatic approach to ensure that the single market being created would also involve a social dimension (Cram 1997, 40-1). Reflecting the social democratic orientation of the Commission at the time, the Commission proposals for the Single Europe Act expanded the potential scope of regional social policy by extending the applicability of qualified majority voting to health and safety issues (Art. 118) and the free movement of labour (Art. 48-50), as well as introducing the idea of a European social dialogue. Still, the broader ambitions of the Delors Commission, and its allies such as the European Trade Union Congress [ETUC] and the Mitterrand government in France, were tempered by the desire of most member-states to maintain national sovereignty over social policy. As a result, the impact of the Single European Act upon the social dimension of European integration was somewhat contradictory: while the legislative impact was minimal, the negotiations served to re-conceptualise the relationship between economic integration and social policy. With the exception of the UK, a broad consensus began to emerge between the member-states that "the European social dimension is what allows competition to flourish between undertakings and individuals on a reasonable and fair basis" (Delors 1985, xviii).

The need for a social dimension to complement the growth of the common market was re-asserted by the Belgium presidency in 1987, which sought to establish a broad consensus at the regional level for future negotiations of social policy. Informed by the Belgium tradition of federalism, Belgium sought to develop a regional social policy based upon a 'plinth' of social rights, which did not undermine existing guarantees within member-states but still provided the basis for future expansion of the social dimension (Hantrais 2000, 7). Reflecting the desire to create a platform of minimum social rights at the regional level, all of the member-states except the UK adopted the Community Charter of the Fundamental Social Rights of the Worker, or Social Charter, in 1989. While the goal of the Social Charter was to further augment the existing policy framework, the refusal of the UK to sign on meant that only minimal progress was made, and the Charter became relegated to merely broad-based goals and objectives (J. McCormick 1996, 269-71). In addition, the language used within the Social Charter further reinforced its limited impact; by using terms such as 'adequate,' 'sufficient,' 'appropriate,' and 'satisfactory,' the Social Charter merely sets out broad objectives without leading to much substantive impact on policies (Hantrais 2000, 8). Nevertheless, this 'solemn declaration' did expand the space at the regional level for further co-ordination and harmonisation of social policies, and the Social Charter led to the development of the second SAP. Focused on expanding the social dimension of the single market, the 1989 SAP involved 47 initiatives, spanning both the revival of existing policies and the development of new proposals (Kleinman 2002, 88). But even this expanded debate over social issues did not lead to any substantive changes. By the time of the Maastricht Inter-governmental Conference in December 1991, all but two measures raised within the European Council had been blocked by the UK. However, it would be a mistake to assume that deeper integration was only resisted by the UK. A number of other member-states were similarly opposed to the SAP initiatives, and only chose to publicly support the proposals as they were aware that the UK would eventually veto the measures and prevent them from being adopted (Kleinman 2002, 88). Comfortable in the knowledge that the restrictions would never be implemented, these governments engaged in "cheap talk" to cultivate increased public support for their respective regimes (Cram 1997, 69).

Disappointed with the limited success of the second SAP, proponents of increase regional harmonisation sought to include provisions regarding social policy within the negotiations surrounding the Treaty on European Union in 1991. Emerging from renewed fears that the Economic and Monetary Union [EMU] would lead to an escalation of social dumping between member-states, a broad coalition galvanised around the idea of including a Social Chapter within the Maastricht Treaty. However, once again, the UK vetoed this initiative. In response, the member-states agreed to append a Protocol on Social Policy to the Maastricht Treaty that would allow 11 of the 12 member-states to sign an Agreement on Social Policy, and enable them to continue harmonising social issues by exempting the UK (Bean et al 1998, 8). A key change engendered by the adoption of this Agreement was the extension of qualified majority voting [QMV] to a range of labour issues, including gender equality, working conditions, and labour rights, as well as establishing a complementary role for the Community in the development of these policies (Padoan 2001, 208). This extension of QMV also led to the adoption of four key Directives that broadened the scope of the social policy agenda at the regional level: the European works council Directive (94/45); the parental leave Directive (96/34); the Directive concerning sex discrimination at the workplace (97/80); and the Directive on equal treatment for part-time employees (97/81).[3] In addition, the Agreement explicitly rejected the assumption that harmonisation of social policy would naturally result from the development of a common market in exchange for the position that social policy is a necessary precondition (Hantrais 2000, 11). Still without the agreement of the UK, the integration of social issues only within this ad hoc 'Social Community' weakened the extent to which the provisions could be legitimately applied throughout the EU.

Finally in 1997, with the election of a Labour government, the UK signed the Social Agreement, allowing it to be included within the Treaty of Amsterdam as Title XI on social policy, education, vocational training, and youth, commonly identified as the Social Chapter. By including the Social Chapter into the Treaty Framework, the

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[3] Directive 94/45 concerns the establishment of an European Works Council or a similar procedure for informing and consulting employees in every Community-scale undertaking and every Community-scale group of undertakings; Directive 96/34 sets out minimum requirements on parental leave for male and female workers, and related employment protection; Directive 97/80 shifts the burden of proof in sexual discrimination cases to the respondent; Directive 97/81 concerns the framework agreement on part-time work concluded by the Union of Industrial and Employer's Confederations of Europe [UNICE], the European Trade Union Congress [ETUC], and the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest [CEEP].

EU explicitly and fully endorsed the belief that social policy must be an integral component to European integration and that the creation of a common market must include a social dimension. Four main changes to the operation of social policy within the EU were prompted by the Amsterdam amendments. First, the amendments enshrined a commitment to "a high level of employment and of social protection" within the priorities of the EU outlined in Article 2 of the Treaty on European Union. Secondly, the Treaty reinforced the commitment to gender equality, as well as expanding the principles of non-discrimination in Article 13 to "combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual discrimination." Thirdly, on the initiative of the British, Dutch, and German delegations (Hantrais 2000, 15), the amendments agreed to at Amsterdam also reoriented existing social policy initiatives to bring them in line within the emerging discourse of competitiveness, reflecting the growing influence of an emerging transnational hegemonic bloc. Fourthly, the Treaty of Amsterdam also added Title VIII on employment (Articles 125-30) to the Treaty framework, directing the Community to "contribute to a high level of employment by encouraging cooperation between Member States and by supporting and, if necessary, complementing their actions" (Article 127).

Nevertheless, these changes in responsibility are all still filtered by the principle of subsidiarity and provide no clear shift in competency up to the European level. As the Treaty does not specify the limits of their actions beyond mandating that "the competencies of Member States shall be respected" (Article 127), the role of the supranational institutions in the provision of social policies within Europe remains nebulous. In other words, the adoption of Title VIII on employment allows for the involvement of the EU in employment policy, but the precise actions of the Commission are left vague and ill defined. Even so, the Commission has carved out a significant role for itself within the realm of social policy by providing leadership to co-ordinate actions between the member-states. By redefining social policy as a matter of 'joint concern,' the revisions have radically transformed the policy process from a relatively pure intergovernmental arrangement to one best characterised as pseudo-federal or nascent federal. Nevertheless, the precise operation of how the co-ordination was to occur was not specified. Within this vacuum, the Commission acted to develop the OMC as a means to enhance their relative importance and to reinforce the emerging federal system. While this process is considered 'soft law,' in that it does not yield binding recommendations, it has had a noticeable impact on member-state policies within two key areas: employment policy and social inclusion efforts. However, prior to examining these recent developments to actively co-ordinate social policies at the regional level, I first detail how judgements made by the ECJ act to further restrict the autonomy of member-states to decide which policies to pursue.

Impact of the European Court of Justice

The regional co-ordination of social policy within the EU was neither performed overnight nor did the member-states and the Commission explicitly and consistently guide it. Rather, the regionalisation of social policy was a gradual evolution driven by Regulations and court decisions, which were largely unexamined by political scientists until quite recently. As observed by Stephan Leibfried (2005), most analyses of European integration were "entranced by the world of 'high politics' and 'high conflicts' in treaty bargaining" (257), even though these intergovernmental forums made limited movement towards the harmonisation of social policy. Even so, a number of decisions made by the ECJ have had a considerable impact upon the ability of member-states to pursue autonomous social policies, despite no substantial change in 'hard law' through the Treaty framework (Hantrais 2000, 233-4). Because of the gradual change in the dominant mode of regulation defining European societies—especially those ideas regarding the ideal relationship between the state and the economy—the applicability of the ECJ mandate and jurisdiction has increased in scope as the norms governing its operation have been redefined. While there has not been a substantial increase in the 'hard law' surrounding social policy, a changing understanding regarding the operation of the welfare state, which increasingly rejects the idea of the social rights of citizenship for the primacy of the market, means that the existing clauses now have expanded applicability. The increased regionalisation of social policy, and expanded restrictions on member-state autonomy revolves around two ideas enshrined within the Treaty framework: the free movement of labour throughout Europe and the free movement of goods and services within the single market.

The question of labour mobility has been one of the key concerns of the project of European integration; first entrenched within the Treaty of Rome, it has had the most prolonged impact on the construction of European social policy. While only

20 percent of the ECJ decisions on social policy from 1954 to 2003 revolved around the issue of labour mobility (Leibfried 2005, 258-9), these decisions have had a more substantial impact on national welfare regimes than any other category of decisions, due to their almost universal applicability. Over the last fifty years, these decisions have acted to severely restrict the ability of member-states to pursue autonomous social policies in the interest of promoting labour market mobility. Despite never being agreed to within an intergovernmental forum, Leibfried (2005, 262-4) has identified four key restrictions that have gradually emerged through ECJ decisions to have a transformative effect on the types of social policies that may be adopted within the EU member-states:

1. Member-states can no longer limit the provision of social benefits within their territory to only national citizens;
2. Member-states must allow for the portability of social benefits and continue to provide benefits to their citizens even after they stop being a resident in their territory;
3. If the provision of social policy may be considered economic action, then member-states cannot prevent the free competition of benefit providers in its territory; and,
4. Member-states no longer have complete autonomy in determining the level of social benefits that apply to immigrants from other member-states.

While member-states made a unanimous decision in the late 1990s to limit the portability of ECJ decisions in the future, this limitation is not retroactive and has not reversed the historical trend. Moreover, this restriction has yet to be tested by the ECJ, so its ability to substantially limit regionalisation in the future is still under debate. Furthermore, some commentators maintain that the principle of labour mobility continues to contribute to a "homogenisation" of some areas of social policies throughout the EU (Leibfried 2005, 264).

A more explicit example of how changing social discourse can have an impact on transforming the applicability of the ECJ decisions lies within the provisions mandating the free competition between service providers throughout the internal market. Initially focused on financial services and the free competition between financial service providers, these clauses are being increasingly applied to areas of social policy as the relationship between the welfare state and the market becomes redefined. Viewed as an 'entering wedge,' the ECJ uses the free movement of services clause to expand the provision of consumer sovereignty at the expense of member-state autonomy in social policy (Kleinman 2002, 121). The shrinking of national sovereignty in these areas hinges on the changing norms surrounding the relationship between social policies and market behaviour. So long as the state is understood to be acting to promote 'social solidarity' or in a purely redistributive manner, then the provisions regarding the freedom of services do not apply. However, if the policies are understood to be 'economic activity,' then the ECJ concludes that the provision of those services must be opened up to competition from other providers. As the ECJ is increasingly approaching these cases with the underlying assumption that the default operation of the welfare states is economic, and that it is the responsibility of the member-state to prove otherwise, the direction of these decisions both reinforces, and is reinforced by, the shift in the mode of regulation defining the project of European integration toward neo-liberalism (Holman and van der Pijl 2003, 77-9).

While a number of decisions have contributed to the ideological shift, two decisions from 1998, *Kohll* and *Decker*, most clearly illustrate the broader implications of the clauses mandating the freedom to provide services throughout the internal market. Both cases originated in Luxembourg and revolve around the ability of individuals who are insured in one member-state to seek treatment from 'service providers' in another member-state. *Kohll* involved a citizen of Luxembourg who decided to travel to Germany in order to receive orthodontic treatment from doctors in a private practice and *Decker* revolved around the purchase of corrective lens in Belgium on a Luxembourg prescription. In both cases, the reimbursement claim was rejected by the Luxembourg sickness insurance fund. However, after reviewing the cases, the ECJ concluded "that the national rules at issue constituted an obstacle to the free movement of goods and the freedom to provide services, since they deterred patients from seeking treatment in other Member States, and held that that obstacle was not justified" (Court of Justice of the European Communities 1999). In *Kohll*, the ECJ drew upon Articles 59 and 60 of the EC Treaty to strike down the ability of insurance funds to apply administrative necessity testing on the intra-European provision of services, maintaining that such conditions "have the effect of making the provision services between Member-States more difficult than the provision of services purely within one Member-State" (Court of Justice of the European Communities 1998). In contrast, the *Decker* case was determined to revolve purely around the free movements of goods, and not services at all, as the diagnosis and prescription were performed within Luxembourg. However, the implications of *Decker* seem to be as wide-ranging as *Kohll*, as it is predominantly seen as a precedent that may be applied to the provision of all pharmaceuticals throughout the EU, thereby placing a clear restriction on the ability of member-states to pursue autonomous policy in this area.

At this point, the decisions of the ECJ and the application of the competition regime are only being applied to the realm of health care, because of the existing overlap between public and private health care providers that currently exists throughout the different member-states. However, the free movement of services continues to act as an 'entering wedge' that serves to expand and entrench existing restrictions upon the member-states to pursue autonomous social policy. As can be seen with both *Kohll* and *Decker*, the ECJ is taking a broad perspective on the cases under its review, pursuing a more activist stance by drawing upon changing social norms in its interpretations of the Treaty framework (Cram 1997, 110). As a result, the decisions of the ECJ act to reinforce the emerging ideological shift toward a more neo-liberal welfare regime. Moreover, this increasingly restricted environment is creating a new policy space more conducive to proposals for the active regionalisation of social policy, especially employment policy. Within this space, different social forces have attempted to develop mechanisms for regional co-ordination that reflect their particular ideological positions.

Regional Co-ordination of Employment Policy

The contemporary trend toward the regional co-ordination of employment policy, including the development of the EES, may be traced to the policy initiatives proposed in the 1993 White Paper on *Growth, Competitiveness, and Employment*. In light of the formation of the EMU, one European official argues the Delors Presidency of the Commission published this document in an attempt to "define the policy agenda" to include social issues in the Treaty framework (Author's Interview). In particular, the Commission argued that job creation had to be seen as a necessary component of the European market in order for the EU to remain competitive within the global economy and acted in an "entrepreneurial" manner to create a coalition of member-states to support a European approach to employment policy (Rhodes 2005, 291). In order to foster support for regionalisation, Delors chose to temper his earlier emphasis on the broader concept of the 'European Model of Society' to an almost exclusive concentration on employment, as the question of job creation was seen to be less contentious than other areas of social policy (Wincott 2003, 293-5). Toward this end, the Delors White Paper advocated the integration of employment policies into the broader structures of economic governance at the European level.

During the Essen European Council held in 1994, the member-states addressed the suggestions posed by the Delors White Paper. While the Commission's proposals sought to construct a consensus between competing interests throughout Europe, strong opposition from several member-states essentially halted the initiatives (Rhodes 2005, 291). Rather than establishing employment policy as an active policy domain for the EU, or even as an area of shared competence, the agreement reached at Essen only reinforced the principle of intergovernmentalism by reasserting employment policy as an exclusively national competence. The idea of co-ordination barely survived; member-states were asked to take the general recommendations of the European Council into consideration as they developed their national employment policies and they were expected to provide an annual report on their progress, but these conditions were understood as voluntary that did not limit the autonomy of the member-states (Tidow 2003, 81-3).

While the non-binding Essen Strategy had virtually no impact on economic governance within Europe, the Commission—in conjunction with a broad coalition of social forces—still sought to construct a more formalised policy framework. Drawing together groups such as the Group of European Socialists, the ETUC, and left-leaning governments, the Commission facilitated negotiations between member-states at both the Madrid Council in December 1995 and the Dublin Council in December 1996 to develop a more institutionalised approach. At the same time, a coalition of member-states, led by Sweden, Finland, and the Netherlands (Gray 2004, 67), turned to the EU as a means to strengthen their domestic welfare regimes in response to increasing global competition. Believing that the socio-economic changes accompanying increased globalisation severely restricted the ability of any nation-state to pursue an autonomous policy regime, these states sought to work through the EU to enhance the relative power of social democratic ideals within the global political economy (Bieler 2002). Throughout 1996, the Commission acted to broker a compromise between the member-states on the regionalisation of social policy, which ultimately resulted in the adoption of the EES and the inclusion of an Employment Chapter within the Amsterdam Treaty. One European official suggests the institutionalisation that occurred with the Amsterdam amendments can be traced to the Luxembourg Council six months earlier, where a "happy coincidence" of factors came together to ease its acceptance: "a political shift in member-states to the left, the determination of the Luxembourg Presidency, in conjunction with the Commission pushing it and the declining economic environment in the EU" (Author's Interview). At the Luxembourg Council in November 1997, the member-states agreed to co-ordinate national employment policies through the process of policy deliberation that has become known as the OMC. While I will be exploring the OMC in greater detail in Chapter Six, it is necessary to provide a brief description of its development and operation at this point to illustrate both its scope and limits, and how its existence has significantly expanded the impact of European institutions on the employment practices of the member-states.

The OMC consists of four stages. First, the European Council uses QMV to adopt the Employment Guidelines proposed by the Commission, which provide the overarching guiding principles for the EES. In the first five years of the strategy, 1997-2002, the process was performed yearly; however, the timeframe for the policy process shifted to every three years after the review of the EES in 2003. In addition, the Employment Guidelines consisted of approximately 20 objectives organised around the four pillars of the EES until 2002: employability, entrepreneurship, adaptability, and equal opportunities. After the review in 2003, the guidelines were changed into 10 'results-oriented' priorities clustered around three primary objectives: full employment, quality and productivity at work, and strengthening social cohesion and inclusion. In the second stage of the OMC, the Commission and the European Council develop the joint employment report, which assesses the employment environment throughout Europe and the progress each member-state has taken to achieve the broad objectives of the EES. Initially prepared by the Commission, the report may be amended by the Employment, Social Affairs, Health, and Consumer Affairs Council before it is endorsed and forwarded to the European Council for approval. On basis of the assessment made in the joint employment report, the Commission then issues specific policy recommendations to the member-states. As the third stage of the process, the member-states then prepare National Action Plans [NAP] in response to the recommendations, in which they detail the policies they will be adopting to achieve the objectives of the strategy.

Finally, during the fourth stage of the OMC process, the NAPs are peer-reviewed within the Employment Committee [EMCO] using the Cambridge Process; during these meetings the member-states compare and contrast different types of employment policies in an attempt to determine the so-called 'best-practice' for reaching the broad objectives. Consisting of two representatives from every member-state and two members from the DG Employment and Social Affairs, one European official notes the "EMCO is populated by the highest civil servants" from national ministries of labour and suggests its "information and policy sharing role is quite fruitful in influencing and redefining policy" (Author's Interview). Similarly, one Irish official characterises the EMCO as the "key mechanism for ironing out difficulties/ differences between member-states and arriving at a compromise"

(Author's Interview) and one German official observes that the EMCO is "central in formulating and co-ordinating the key measures" (Author's Interview). Even so, during the five-year review of the EES in 2003, the capacity of EMCO to act as a site in which policy may be shaped was confined when the member-states decided to limit the discussions in the EMCO to merely the bureaucratic implementation of the Employment Guidelines.

A key implication of this change can be seen in how the dynamic role of the EMCO in facilitating communication between the member-states and the Commission, as well as its ability to develop innovative approaches to social policy, was severely curtailed after the five-year review. Every interview that I performed for this research agreed that the EMCO is the central component to the co-ordination of employment policy within the EU, but a number of interviewees expressed dissatisfaction with the way that the EMCO has evolved. Rather than being focused on thematic discussions over the core ideals of the EES, one European official complains the debates have become more "technical and technocratic [and] led the committee to become more process oriented than content" oriented (Author's Interview). Observing that it "has been an objective of the UK to weaken the community approach to employment," another European official suggests this pressure led to the debate within the EMCO being both limited to the implementation of the policies and constrained to a debate over best practices and benchmarking (Author's Interview). Similarly, one German official protests that "the analysis [in the EMCO] is too shallow and should be deeper .... [There is a] discussion of best practices, but the overview is not given enough time" (Author's Interview). As well, one Irish official notes that "the EMCO is a forum for changing the [employment] guidelines officially, but its role is really very marginal and incrementalist. To the extent that there has been any significant shifts, they have been initiated by the Commission, rather than by the EMCO" (Author's Interview). To a large degree, this limited role is reflected in the changing composition of the committee; as the EES has evolved, member-states have begun to send representatives of decreasing rank to participate in the process. By sending lower level bureaucrats, the discussions within the EMCO become effectively limited to the most efficient means of implementing the objectives formulated by the European Council. Moreover, as the mode of regulation defining European integration shifts toward neo-liberalism, the best practices identified by the EMCO become similarly defined by neo-liberal principles. While the member-states still have a choice in the type of policies that they follow, key changes at the regional level have redefined the policy environment throughout the EU, which serves to limit the range of viable and/ or acceptable choices. With the direction of social policy increasingly being held subordinate to the principles of economic efficiency and flexibility, these structural constraints act to further entrench the emerging neo-liberal hegemonic order. As such, the regional co-ordination of employment through the EES is reshaping the policy environment in a way that neutralises political discourse and allows for the promotion of particular worldviews under the guise of ideologically neutral 'best practices.'

A European Approach to Combating Social Exclusion

As has been noted earlier in the chapter, employment policies and welfare regimes are jealously protected by the member-states, which tend to actively resist the development of regional power that might overrule the existing orientation of their welfare regime and force them to adopt undesirable policies. As a result of the pressure from transnational social democratic social forces, the authority for the Commission to co-ordinate employment policies between the member-states was agreed to within the Amsterdam Treaty. However, because of the interaction of competing social forces operating at the European level, the social democratic intention to develop a strong co-ordination of employment policy that would work in conjunction with harmonised monetary policy and the Broad Economic Guidelines was tempered to merely a matter of joint concern. Still, even this minor policy change served to redefine the policy environment and provided the Commission with a window of opportunity to expand its role in this policy area. While the co-ordination of employment policy is more developed, because of the explicit mandate found within the Treaty framework, a more illustrative example of the entrepreneurial role of the Commission in regionalising social policy may be found within the realm of social exclusion and anti-poverty legislation. Based upon a broad statement within the Treaty of Nice directing the Community to support and complement the member-states in "combating social exclusion" (Art 137), social inclusion and anti-poverty policies have emerged to be one of the key activities of the DG Employment, Social

Affairs and Equal Opportunities, despite having no clear mandate to do so outlined within the Treaties.

The member-states of the EU began to embrace a European approach to combating social exclusion at the Lisbon European Council in March 2000. While the Lisbon Council is best known for the development of the Lisbon Strategy, the member-states also made a decision at that European Council to reorient the direction of European social policy. Prior to that decision, the majority of regional co-ordination was primary focused towards employment issues, but there was an unspoken assumption throughout Europe that it may also encompass other policy areas—as demonstrated by the initiatives such as the Social Charter. However at Lisbon, the member-states formally severed the more entrenched tradition of employment policy from other social issues. Drawing upon the successful use of the OMC in the development of the EES—as well as recognising that the existence of the EES serves to limit future discussion over social policy to only employment issues—a coalition of interests sought to develop a parallel program for social exclusion.

Following the decision to sever policies regarding social exclusion from employment at the Lisbon Council, the member-states agreed to adopt the OMC to deal with issues of social exclusion at the Nice Council in 2000. Similar to the EES, the Commission sets out four objectives to shape, define, and co-ordinate member-state policies combating social exclusion.[4] In response, each member-state is then responsible for submitting a National Action Plan on Inclusion [NAP/incl] that outlines the policies they have undertaken to achieve the guidelines and reduce levels of poverty within their respective populations. Finally, the Commission reviews the NAPs/incl to co-ordinate policies among the member-states through identifying best practices and recommending which policies member-states should pursue in the future to best achieve the Inclusion Guidelines. While the member-states have accepted this process for social exclusion, the authority for the Commission to act as a regional co-ordinator is even more tenuous than in employment policy; unlike the limited provisions regarding employment policy within the Treaties, there is no parallel language regarding social exclusion. In other words, even within the designation of 'soft law,' the regional co-ordination of poverty reduction is even 'softer.' Nevertheless, as the process has been accepted in practice—and a proposal exists to formally entrench it within the stalled Constitutional Treaty (Article III-210)[5]—this program further reinforces the trend towards a pseudo-federal co-ordination of social policies between member-states by the Commission.

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[4] The four overarching social exclusion objectives adopted by the European Council (2002a) are: to facilitate participation in employment and access by all to the

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resources, rights, goods and services; to prevent the risks of exclusion; to help the most vulnerable; and, to mobilise all relevant bodies. In addition, the European Council has also endorsed 15 specific guidelines as part of the social exclusion program.

[5] Social policy is addressed in a number of key areas of the Constitutional Treaty, informing the entire text and providing clear implications for the future development of social policies within the EU (Brown 2005, 2-4). While the majority of references are within Part III, specifically Articles 210 and 213, which discuss areas of shared competency in social policy and endorse the principles of the OMC process, the Constitutional Treaty also repeatedly emphasises the importance of promoting high employment and combating social exclusion as key goals within the process of European integration (see, for example, Articles I-3.3, I-15, I-44, III-116 through III-118).

However, the extent to which the increased regional co-ordination of policies regarding social inclusion will actually lead to the development of the most effective and viable policies to reduce poverty throughout the EU is highly debatable. While the process is supposed to enable member-states to discover the most effective means for poverty reduction though sharing best practices and policy learning at the regional level, in practice the range of policies deemed acceptable are being restricted at the outset of the process. Reflecting the overarching mode of regulation that is increasingly defining the process of European integration, an underlying assumption of the process is that only the market can provide a viable solution to poverty reduction and social exclusion. As a direct result of limiting the range of acceptable solutions, "all of the national plans focused on work as a solution to poverty" as an end in and of itself, without recognising "the possibility that [this emphasis] may actually worsen job quality and intensify the well-known problem of the benefits trap" (Gray 2004, 71-2). Despite the assertion by the Commission that the best practice for social inclusion should be policies that are "supportive and developmental and not punitive" (European Commission 2002b, 35), the question of job quality within this process is largely addressed in only a superficial manner by focusing on various forms of employment benefits or wage subsidies.

In addition, the language used within this program increasingly reflects the neo-liberal discourse surrounding active and responsible citizenship. As one European NGO official observes, the emerging 'best practices' identified through this process are becoming increasingly centred on policies that focus on the "responsibilities of people facing poverty and exclusion," rather than the provision of financial support as a basic right of citizenship (Author's Interview). By re-conceiving the notion of social citizenship to incorporate an emphasis on "active employment and self-reliance," even social policies within continental Europe are shifting in this direction (Andersen and Halvorsen 2002, 12). Due to the convergence of both of these factors, there is a danger that the European process will lead to member-states adopting conditions surrounding the provision of welfare benefits that force claimants into either workfarist arrangements or precarious employment (Gray 2004, 72).[6] As a result, the way these policies are being implemented further reinforces and entrenches the trend towards the neo-liberal mode of regulation within the European Union.

Conclusion

Most debates over European social policy are plagued by the common misconception that it represents an intractable debate between Euro-federalists seeking to construct a supranational entity and their intergovernmentalist opponents seeking to protect national sovereignty. A key assumption within the context of social policy is that the Commission drives the supranationalist agenda, attempting to ensure that a substantial 'social dimension' is included within the development and entrenchment of the European social model (see, for example, European Commission 1994a). While evidence regarding the harmonisation of social policy does support this belief to some extent—as the Commission is one of the more active proponents—the strict dichotomy assumed by this approach is not nearly so absolute. All of the key actors involved within the project of European integration, ranging from supranational actors like the Commission and the European Parliament to the member-states and other social forces like capital and labour, have promoted the active creation of a regional social policy at different points within the process of integration. As one European official observes, social democrats from Sweden and Finland, working through the DG Employment and Social Affairs of the Commission and supported by other regional actors like the ETUC, were able to "define the initial focus of the European Employment Strategy to support and expand labour standards in the EU" (Author's Interview). Conversely, member-states often negotiated provisions at the regional level in order to protect their national welfare regimes from constraints at both the regional and global level, such as the clause mandating equal pay between men and women demanded by France in the negotiations over the Treaty of Paris. Nevertheless, most attempts to actively create a single harmonised social policy at the European level have failed due to a number of institutional and regional factors.

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[6] Within this study, workfare may be understood as the adoption of regulations to the provision of financial aid through welfare that require the recipients to perform compulsory labour or service as a condition of their assistance.

To a large degree, structural barriers, ranging from differences between widely divergent welfare regimes and industrial relations traditions to asymmetrical business environments and economic needs throughout the region, prevent the development of a single supranational approach to welfare. In addition, actions taken by the member-states, and other social forces, further constrain the creation of a regional social policy. Within the EU, the policy space for social issues has been largely restricted to those issues explicitly related to the market. As one European official notes, it is "extremely difficult" to shift competency to the EU because "employment and social policy affect people more directly. They are a more visceral demonstration of the state in society and member states do not want to give it up—one does not win elections without job creation" (Author's Interview). Consequently, governments have chosen to limit the scope of regional social policy in a belief that the welfare state and the provision of social goods must be the exclusive domain of national governments. Due to the high visibility of social programmes and the significance that they hold for most citizens, governments largely resist any attempt to actively reduce their autonomy over the development and implementation of social policies. Still, the EU has begun to co-ordinate social policies at the regional level—most notably in the areas of employment policy and social exclusion—and a number of factors have converged to significantly constrain the ability of the member-states to pursue autonomous social policies. Even though a unified social policy has not been actively created at the regional level, so that member-states are still able to choose which policies to pursue, the emerging structure of the policy environment serves to restrict the scope of policy choices and promote those more in line with neo-liberal principles. Depoliticising the process, and characterising the debate as the administrative pursuit of best-practices, promotes this mode of regulation under the guise of being ideologically neutral and value-free. As will be seen in the next three chapters, this policy environment has enabled the expansion of a neo-liberal hegemonic order within both Ireland and Germany, and at the EU level.

CHAPTER FOUR

SOCIAL PARTNERSHIP AND NEO-LIBERALISM IN IRELAND

Of all twenty-seven member-states of the European Union [EU], the Republic of Ireland has historically been the highest net beneficiary from its participation in the integration project. Joining in 1972, membership within the European Economic Community [EEC] quickly had a "transformative socio-economic impact" on the Republic (Douglas, et al. 2000, 139). On a per capita basis, Ireland has been the highest recipient from the European structural funds, allowing it to reach a level of utility unmatched by any other member-state. As well, the expansion of trade links with Europe greatly reduced Ireland's economic dependence on the UK, and its agricultural sector benefited substantially from European grants and subsidies. Additionally, membership in the EEC slowly modernised Irish legislation on workers' rights and gender equality, beginning with the implementation of the EEC Social Action Programme in 1974. These factors allowed Ireland to continue a prolonged period of economic growth since 1976. With an 11.5 percent decrease in unemployment from 1992-2001, and an average gross domestic product [GDP] growth rate of 7.5 percent throughout the 1990s, some commentators have labelled Ireland the Celtic Tiger, drawing a comparison between its performance and that of the Newly Industrialised Economies of East Asia (Fortin 2002, 7-13).

While a number of theories have been forwarded in an attempt to explain the rapid growth of Ireland, the dominant explanations that have emerged from both sides of the ideological spectrum maintain that the high level of growth was driven by international investment left unfettered by government controls. On the one hand, commentators on the right suggest the scaling back of government reflected a growing awareness that state intervention in the economy was upsetting the natural balance in the market and preventing the modernisation of Ireland (see Kirby 2002, 71-7 for an overview). On the other hand, critics from the left contend that the so-called de-regulation of the Irish economy actually represents a shift in the power dynamics of Ireland toward a neo-liberal elite (K. Allen 2000, 12-16). Regardless of the ideological background, both schools of thought marginalised the Irish government as merely a facilitator for capitalist interests.

Moreover, a number of environmental factors and structural changes present throughout the 1990s further supports this view of an instrumental state. When questioned about the causes of Irish growth, almost every individual interviewed for this study maintained that there were three elements that were crucial contributing factors to the rapid growth that happened to come together more by chance than by grand design. First, the cultural connections between Ireland and the US, including both the historical migration trends and the personal involvement of US President Bill Clinton in the Northern Ireland Peace Process, were key to attracting US investment into Ireland. Secondly, the timing of both the establishment of the Single Market, which prompted US multinational investment in Ireland, and the technology boom that began in the US shortly after these same companies entered Ireland, were critical for Ireland's rapid growth. Thirdly, as Ireland's baby boom did not occur until the 1970s, the first cohort to fully experience the educational and training programs only came of age in the 1990s, so that the labour supply at that time possessed the skills required for the jobs being created by the boom. However, such characterisation vastly misrepresents the role played by the state in producing the conditions necessary for the high levels of growth that occurred throughout the 1990s. Rather than acting simply as an instrument for capital, the government has pursued five policies that have directly contributed to the development of the Celtic Tiger since the 1960s.

In an attempt to redirect the economy away from import substitution industrialisation [ISI], the first policy pursued by the Irish government was to set up a comprehensive taxation architecture directed at the creation of export-oriented industries. Believing that Ireland lacked a sufficient industrial base to rely entirely on indigenous industry, the government focused its efforts by using an independent state agency, the Industrial Development Authority [IDA], to seek out key multinational companies and industrial sectors on the cusp of rapid expansion and convince them to invest in Ireland. The second policy pursued by the Republic was the promotion of reinvestment into Ireland and the creation of national companies. However, unlike the promotion of export oriented growth and foreign direct investment [FDI], the development of indigenous industries was largely marginalised as a legitimate policy option by the government until the early 1990s, when the growth rates began to rapidly accelerate. In contrast to the second policy, the third policy, an emphasis on education and training programs, has been more consistently pursued since the institutionalisation of the development agenda in the 1960s. Initially focused on passive skill development through the general expansion of education opportunities, these policies took on increased salience as unemployment peaked in the 1990s. With the activation guideline of the European Employment Strategy [EES] mandating the use of active labour market policies, the emphasis on skill development and retraining was a significant feature in increasing the employment rate after 1997.

While the first three policies all reinforced a coherent trend towards economic liberalisation, the next two policies exerted a countervailing influence on the ideological focus of the development agenda. The fourth policy pursued by the Irish government involved maximising the benefits Ireland could receive from participating in the project of European integration. As a central aspect of the development agenda initiated by the Lemass government in the early 1960s, Ireland sought membership in the EEC for two key reasons. First, it was hoped that membership in the emerging European market would assist Ireland's liberalisation agenda and support the shift to an export-led economy. Secondly, the Irish government recognised both that its GDP per capita was among the lowest of the member-states and that membership would also entail substantial financial support through both the common agricultural policy [CAP] and the European structural funds. Through the course of its membership both goals were realised; participation in the European market acted as a critical factor in attracting FDI and Ireland received a level of utility from structural funds unmatched by any other member-state (Finnegan 2001, 178-9). However, in maximising every avenue open to Ireland, the strategic choice to implement projects that were at least partially supported by the European Commission meant that it often pursued policies not wholly consistent with its liberalisation strategy, such as the supply-side labour market strategies in the 1980s. Moreover, this entrepreneurial preference for European funding influenced a number of areas of governance, including the introduction of economic oversight procedures and other monitoring mechanisms, as well as the introduction of the concepts such as social exclusion to the discourse over social policy. Similarly, the final policy pursued by the Irish government—the attempt to cultivate a neo-liberal consensus through the reintroduction of social partnership in 1987—has also had a countervailing influence. Assuming that the implementation of its desired program of economic restructuring would not be successful without the support of both trade unions and business groups, one Irish official argues the government implemented corporatist mechanisms in order to "impose taxation policies focused on FDI and wage restraint" (Author's Interview). As well, trade unions and business groups, strongly influenced by the increased interaction with continental Europe, began to see corporatist models as a more conducive to economic growth and industrial consensus (O'Donnell 2000, 178-9). However by the mid-1990s, after a period of jobless growth, the agenda of social partnership shifted to issues of poverty reduction and social exclusion as the corporatist process expanded to include representatives from civil society groups. While the inclusion of groups more critical to the development agenda was initially attempted in order to bring these groups into the governing consensus around neo-liberalism, their inclusion acted to stimulate a redefinition of which policies and priorities were considered acceptable.

This chapter examines the changing dynamics of socio-economic governance in Ireland, and demonstrates how the competition between social forces has acted to implement a system largely defined by embedded neo-liberalism. The first section briefly outlines the history of Ireland from independence in 1923 to ascension to the

EEC in 1972, including the policy shift from ISI to export led growth. Following this history, the second section examines the social and economic impact that the first fifteen years of membership in the European Community has had upon Ireland. Similarly, the third section assesses the period of rapid economic growth experienced in Ireland during the period commonly identified as the Celtic Tiger, and details the impact that membership in the EU had upon Irish development. Finally, the chapter analyses the practice of social partnership in Ireland, detailing how successive agreements have gradually shifted toward a broader focus on social solidarity and social justice. However, in parallel to the rising influence of the neo-liberal discourse of competitiveness at the European level, a number of social democratic initiatives and critiques that have been proposed in Ireland are now being re-integrated into a hegemonic consensus of embedded neo-liberalism.

Prior to Accession in 1972

After both a failed rebellion and a civil war, the Free State of Ireland was formed as a dominion of the UK in 1923, with the first elections of this independent state held in August of that year. However, in achieving this independence, Ireland was partitioned into the industrial Northeast, which remained a part of the UK, and the 26 other counties that were primarily focused on agricultural production. As such, the new state was excessively dependent on agriculture, with over 51 percent employed in this sector and agricultural products making up 86 percent of all exports in 1924 (Kirby 2002, 14). In seeking to stabilise their post-revolutionary society and to prevent a return to the conflict of the civil war, the Irish government under William Cosgrave sought the support of the emerging business class, prosperous farmers, and the Catholic hierarchy to exert political and economic stability over the new country (Douglas, et al. 2000, 114). In courting these interests, the policies of the new state were characterised by social and fiscal conservatism, and the existing agricultural sector was given priority over the fledgling industrial sector. Despite not yielding any noticeable success, these policies were continued until the Fianna Fáil party came to power and instituted a program of ISI in the 1930s.

Formed in 1926 with the objective to create an independent Irish Republic, Fianna Fáil soon supplanted Sinn Féin as the voice of popular republicanism in southern Ireland, and it formed the government in 1932 under the leadership of Eamon de Valera. Unlike the Cosgrave government that preceded it, the de Valera government was fiercely independent and sought to minimise Irish dependence upon the UK—both in the economic and political spheres. Using the opportunity provided by the Statue of Westminster, passed by the British parliament in 1931, the de Valera government moved closer to full sovereignty by passing a new constitution in 1937 that transformed the free state into a de facto republic (Douglas, et al. 2000, 116-7). Despite this success, de Valera resisted pressure to declare full independence at that time, arguing that the republic could not be formed until Ireland was unified (Douglas, et al. 2000, 117). At the same time, Ireland also sought to achieve economic independence through fostering the development of indigenous industry and agricultural diversification through establishing high tariff barriers and government price supports. As the policy seemed to create high levels of growth and employment in the manufacturing sectors in the first five years after implementation, the government quickly moved to declare their program of economic development a success (Kirby 2002, 16).

However the high levels of growth were not sustainable, as the infant industries developed through the ISI policies were not constructed in a systematic manner to ensure their long-term durability. Instead of concentrating on the development of a selection of key industries, the government promoted a wide variety of industries that could not be supported by domestic demand and were too weak to compete internationally (Kennedy 2003, 235). Moreover the diversification of the agricultural sector was primarily driven by the British ban on importing Irish cattle from 1932-36, which encouraged many cattle producers to start producing the non-traditional products covered by government price supports, such as pigs, dairy, sugarbeet, wheat, and barley (Kirby 2002, 16-7). After the so-called Economic War was resolved in 1937, and the ban repealed, most farmers choose to return to producing cattle for export to the UK—ultimately limiting the extent to which agricultural diversification was achieved over the long-term.

Once the domestic demand was met, and the early success of the ISI policies began to weaken, the Irish economy began to show signs of decline typical of ISI economies. While World War II delayed the realisation of the failure of its economic policies, the 1950s saw Ireland emerge into an era of prolonged economic stagnation, a rapid rise in unemployment, and a mass labour emigration that brought the population down to 2.8 million (Douglas, et al 2000, 121-2). In 1959, ten years after declaring itself a Republic, Ireland began to abandon its policy of ISI in favour of developing an outward-focused, 'modern' economy. Following de Valera's resignation, Sean Lemass became the Taoiseach and leader of the Fianna Fáil party, rejecting "de Valera's vision of a rural, introspective, self-sufficient Gaelic idyll" in favour of a vision of Ireland as a "industrialized, entrepreneurial, outward-looking meritocratic society" (Douglas, et al. 2000, 135). In a key turning point in the development the Irish economy, the Lemass government articulated a three prong development agenda that they hoped would transform the Republic closer towards their vision. First, the government would use grants and taxes to encourage exports; secondly, they would actively seek FDI to stimulate the development of a manufacturing sector; and thirdly, they would seek to improve the overall education and skills of the Irish public.

As the keystone of the development agenda, key social forces led by the Lemass government attempted to institutionalise the idea that the only viable avenue for transforming the productive base of the Irish economy was the active solicitation of FDI. Maintaining that the limited industrial base possessed by the Irish economy prevented transformative industrialisation to occur, the government sought to entrench this policy focus through the reorganisation of the IDA in 1969.[1] Similar to the "insulated bureaucracies of the East Asian developmental states" (Kirby 2002, 34), the new IDA was established as an independent state agency autonomous from the political process and partisan influence. In a conscious attempt to characterise the future developmental policy as simply an administrative exercise, rather than a political choice, the Lemass government sought to effectively depoliticise the debate. To a large degree, this attempt was successful. Due to its perceived separation from political influence, policy-makers increasingly relied on the expertise of the IDA to articulate the most appropriate development path for the Irish Republic, allowing the IDA to effectively define the range of acceptable policy options for the state to follow. In fact, its perceived influence was so great, that Padraic White, Managing Director of the IDA from 1981-1990, asserted that the IDA often "saw itself as making policy that its ministerial bosses followed" (quoted in Kirby 2002, 34), rather than simply contributing to a wider debate over national development. As a result, one Irish official maintains that key policies and initiatives pursed by the government, such as the use of low corporate taxation to attract FDI, were "directly implemented following initial proposals from the IDA" (Author's Interview).

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[1] The Industrial Development Authority [IDA] was set up as part of the Department of Industry and Commerce to support the development of export-led business. In 1969, the IDA was set up as an autonomous state agency responsible for all aspects of industrial development.

The last pillar of the development agenda institutionalised by the Lemass government was a policy of reciprocal trade liberalisation that centred on joining the emerging EEC. However, at this stage in Ireland's development, it could not participate in the new organisation so long as the UK remained outside of it, due to the extensive linkages between the two economies (Finnegan 2001,175). As such, the Irish government decided to link their application for membership with the UK when they both applied to the EEC in 1960. Regardless, this initial application was unsuccessful when France, under Charles de Gaulle, vetoed their application in 1963 to prevent British involvement in the EEC (J. McCormick 1996, 56-8). Still, it would be a mistake to suggest that Ireland sought EEC membership because it was merely following the lead of the UK, as Ireland's motivation for joining extended beyond ensuring that the two countries were on the same side of a tariff barrier. First, the increased access to European markets that membership in the EEC entailed was in perfect harmony with the three-pronged development agenda outlined above. Secondly, the agricultural sector needed to diversify its export market, as its over-reliance upon the UK had served to both artificially depress the price of its products and leave it vulnerable to unilateral sanctions, such as the UK cattle ban in the 1930s. Thirdly, the Irish government realised that if it joined, it would have the lowest GDP per capita of any member-state, making it eligible for both CAP price supports and subsequent Regional and Social funding (Finnegan 2001, 176-7). As both of the dominant parties in Ireland embraced the program of economic liberalisation begun by Fianna Fáil in 1959, Ireland continued to advocate for membership with the EEC as an additional tool in continuing that agenda. Nevertheless, as the Republic was uncomfortable with pursuing membership without the UK, and choose to continue working in tandem with the British government, both countries were not accepted until after France's objection subsided with de Gaulle's resignation (J. McCormick 1996, 58). As a result, thirteen years after first submitting their application, Ireland subsequently joined the EEC on 1 January 1973, after a referendum on membership passed by 83 percent.

First fifteen years (1972-87)

Even though Ireland negotiated a five-year transition period into the European Community, it began to experience its transformation almost immediately. The most enduring feature of Irish political cultural and society prior to the 1970s has been one of relatively stability, in which strong conservative sentiments across a wide cross-section of society acted to resist any adjustments to the social status quo. With a governing class strongly influenced by agricultural interests and the Catholic hierarchy (Douglas, et al. 2000, 114), Irish political culture was defined by religious deference and social conservatism. Moreover, a number of groups within Irish society sought to mask cultural difference within the Republic and promote a sense of cultural homogeneity (Croakley 2005, 37-9). Toward this end, Ireland pursued a policy of cultural isolationism and protectionism following independence from the UK that mimicked the ISI development program (Ryan 2000, 58-9). However, following the accession to the EEC in 1972, Irish political culture began a rapid transformation that reshaped the social and cultural dynamics within the small Republic. While the changes were not solely caused by European integration, but rather resulted from the systematic opening up of the Irish socio-economic structures, both European legislation and funding were contributing factors in stimulating the direction of change.

First, the implementation of the first Social Action Programme [SAP] of the EEC initiated the modernisation of Irish legislation on workers' rights and gender equality. While the goal of full employment articulated in the SAP was already expressed within the development agenda adopted by the Lemass government, and the Directives surrounding workers' rights and health and safety were easily integrated into existing industrial relation practices, the most significant impact was from the two Directives on gender equality that were adopted at that time. As one Irish official notes, these two Directives "had a major impact on our labour market. A lot of this stems from the *acquis* itself, and particularly the promulgation of equal rights, [which] had a transformative impact on gender equality and on the gender impacts" (Author's Interview). In particular, the first Directive, focusing on equal pay between men and women (75/117), forced the Irish government to begin addressing the gender wage gap and demonstrated the supremacy of European Law. During the negotiations leading up the adoption of the Equal Pay Directive, the Irish government "implied" that it would not be able to meet the deadline of December 31, 1975 even though it did not actively seek an exemption or transitional period during the negotiations over accession (Cassells 2000, 69). While the Irish Anti-Discrimination (Pay) Act of 1974 specified that the Directive would be fully transposed into Irish law in accordance with the deadline, the Irish government applied for a derogation from the Commission on December 17, 1975 on the basis that full implementation would be too costly to Irish business at that time. However, following a formal complaint from the Irish Trade Union Congress [ITUC], the Commission rejected the Irish application and mandated that the Directive had to be implemented in full by the Irish government. According to Peter Cassells (2000, 69-70), losing this public confrontation over socio-economic equality soon after joining the EEC provided a strong underpinning to subsequent demands for gender equality from women's organisations and trade unions, as well as clearly demonstrating the importance of European legislation. Similarly, a number of groups also used the second Directive, focusing on the equal treatment for men and women in regard to working conditions, as well as access to employment, vocational training, and promotion (76/207), to challenge a number of structural conditions of inequality. Among other developments, this Directive was seen as central to lifting the 'marriage bar' within Ireland, which required women to resign from the civil service once they became married (Tiernan 2006). Even though substantial barriers to gender equality continue in Ireland, the changes begun with the European legislation led to considerable improvements in legislative treatment of women, including establishing the Employment Equality Agency in 1977 to monitor and promote gender equality.

Secondly, the reform of the European Social Fund [ESF] that accompanied the adoption of the first SAP significantly shaped the orientation of social policies within Ireland. In the midst of a policy environment primarily focused on combating unemployment through stimulating demand, one Irish official argues the "conditions of the ESF served to influence Irish policy" to develop active measures focused on the supply of the labour market, such as "vocational training for those individuals found redundant" (Author's Interview). In particular, the severe fiscal crisis experienced by Ireland in the early 1980s following the second oil crisis made these funds even more salient; as expenditure control became increasingly important, developmental and solidarity concerns were de-prioritised by the government (O'Donnell 2000, 186). Within this funding environment, one Irish official maintains "the Irish government was faced with the perceived reduction of the cost of the provision of vocational training, so long as the programs met the European conditions" (Author's Interview). By creating a perceived cost-reduction in the provision of vocational training, the Fund prompted the introduction of education reforms and job placement measures that created more redistributive effects. While the presence of structural funds was not the sole consideration in the creation of these policies, the funding allowed for the continuation of developmental policies despite significant constraints on public spending in other areas. In this way, Ireland used the structural funds to vastly augment the educational reforms begun in the 1960s, with the objectives of the ESF serving to crystallise the focus of the educational programs. As such, the existence of European funds contributed to the deepening of the social transformation occurring within Ireland.

Similarly, joining the EEC led to a significant economic impact and provided the foundations for the rapid growth experienced by Ireland in the 1990s. The balance of trade shifted away from an exclusive concentration with the UK to a more balanced distribution, with the percentage of goods exported to the UK being reduced from 75 percent to 41 percent over the 20-year period of 1960-80 (Finnegan 2001, 177). Building off of the first export-processing zone established by the Shannon Free Airport Development Company in 1958, the export sector grew quite dramatically, with over 1000 firms relocating to Ireland, and over £4 billion invested in the county, by 1983 (Kirby 2002, 18). Moreover, the Irish agriculture sector was a major beneficiary from the price supports and subsidies from the CAP, with over £365 million transferred in 1978 (Finnegan 2001, 178). However the achievements of the economic policies pursued by the Irish government were counterbalanced by the worldwide economic recession that occurred throughout the 1970s and early 1980s. Rather than prompting rapid development, implementation of the various policies surrounding membership of the EEC and export-led growth coincided with a dramatic downturn in the world economy. In 1973, the first oil crisis drove inflation in Ireland up to 25 percent; while the inflation rate did recover to some degree, the second oil crisis in 1979 brought it back up to 18.2 percent by 1980 (Finnegan 2001, 178). The unemployment rate rose from 7.3 percent in 1980 to 17.3 percent in 1985, and the amount of those who had been unemployed for over one year (long term unemployment) rose to 70 percent during that same time period. When these figures are coupled with the rise in emigration during that same period, with about 1 percent of the labour force emigrating per year, it suggests that the unemployment rate could have been much higher if not as many people had left Ireland as economic refugees during that time (Kirby 2002, 22). Moreover, using poverty lines set at 50 percent of the average income, the poverty rate in Ireland increased from 15 percent in 1973 to 22.9 percent in 1985, making its poverty rate the third worst in the European Community, after Greece and Portugal (Kirby 2002, 26). Furthermore, indigenous industry in Ireland was largely decimated during this period, as various pressures converged to reduce the relative competitiveness of Ireland versus stronger multinational corporations primarily clustered in the US (Kirby 2002, 20). In the midst of this economic crisis, the tripartite National Economic and Social Council [NESC] recommended the reintroduction of the corporatist agreements in 1986, which was strongly embraced by the Fianna Fáil party, then the leaders of the opposition (Roche and Cradden 2003, 80). Soon after their election to government in

1987, the Fianna Fáil renewed tripartite bargaining, and negotiated the Programme for National Recovery that served as the catalyst for the rapid growth of the so-called Celtic Tiger. However, before examining the impact of these agreements, the period of rapid growth experienced by Ireland in the 1990s must first be examined in order to provide an accurate context for the restructuring of social policy over the last fifteen years.

Rapid development of the 1990s

Despite the initial lack of economic success achieved through pursuing the liberalisation agenda, the entrenchment of development policy within the independent IDA, as well as the general support of successive governments for export-oriented growth, allowed the IDA to continue to offer incentives for multinational investment throughout the 1970s and 1980s. During this time, the IDA attempted to seek out key multinational companies and industrial sectors that were on the cusp of rapid expansion, and convince them to invest in Ireland. Due to its long-standing policy of low corporate taxes, and its membership within the European Community, the Republic was a very attractive locale for American and Japanese firms who wished to enter the lucrative European market without being exposed to the high tax burden found within most member-states (O'Hearn 2003, 37). After a number of failed attempts to attract transnational investment, the IDA was finally successful in 1989 when it was able to convince Intel to build its largest plant outside the US in County Kildare. Bolstered by this success, investment by other computer, electrical engineering, and pharmaceutical firms grew exponentially in Ireland, as the IDA actively pursued the best performers in those industries (Kirby 2002, 34-5). With Ireland's share of foreign investment in the EU tripling between 1991 and 1994, and the level of total fixed investment increasing by two-thirds to £256 million throughout the 1990s, Irish growth was almost entirely propelled by US multinational corporations (O'Hearn 2003, 38-9). Due to the increasingly high levels of investment, Irish GDP growth rates increased from 1.9 percent in 1991 to 5.8 percent in 1994, eventually peaking at 11.5 percent in 2000. However as the growth was driven by foreign investment, and much of the profits of the US firms were exported out of the country, a more realistic indication of Irish growth over that period would be to use the gross national product [GNP] growth rates.[2] Beginning in 1995, GDP growth rates began to reach higher levels than GNP growth, and the trend has continued to accelerate until more recently; from 1995-2003, GNP growth rates have averaged 24.5 percent lower than GDP annually (Central Statistics Office 2004; Central Statistics Office 2005).

Still, the excessive reliance on only three sectors of the economy has begun to impact Irish growth rates. As noted by O'Sullivan (2000), the disproportionate amount of investment coming from the US means that, just "as Ireland has become more integrated with the European Union in macroeconomic terms, the microeconomic structure of her industrial economy has evolved to more closely resemble a region of the United States" (quoted in Kirby 2003, 36). Due to this level of integration with the US, it is not surprising to note that the growth rates in Ireland have dropped significantly since the technology bubble supporting the US economy burst in August 2001 (K. Allen 2003, 57-9). In 2001, the GDP growth rate for Ireland dropped to 6.1 percent, and then dropped again to 1.3 percent in 2003, before rebounding back to 4.5 percent in 2004. Interestingly, the GNP growth rate rebounded more quickly than GDP, suggesting that current levels are a more accurate depiction of the relative strength of the Irish economy and the growth of domestic industry.

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[2] Gross domestic product measures the total flow of goods and services produced by an economy over a specific time period, while gross national product measures the total value of goods and services produced by Irish nationals. The difference between the two measures reflects the value of goods and services produced by foreign nationals within the Irish economy and the scope of capital repatriation by foreign owned companies.

In an attempt to ensure that Ireland was able to maximise the benefit from economic growth driven by almost entirely FDI, the second policy pursued by the government throughout the 1990s was to promote reinvestment into Ireland and the creation of indigenous industries. However with the rejection of its ISI policies in the 1950s, the development of indigenous industries was largely marginalised as a legitimate policy option in favour of export-led growth driven by FDI. Not wishing to impose any form of taxation that could be viewed as a disincentive toward investment, the Irish government did not actively partake in reinvestment in the economy. Moreover, as all of the mechanisms for industrial support were the responsibility of one government agency, the IDA, the support of indigenous industries was often treated as a trade-off for policies focused on attracting more FDI. Despite this long-standing position, the government began to take a much more active role in response to the severe economic and social crises of the 1980s with the separation of the IDA into three agencies in 1994: *Forfas*, the national policy advisory board for enterprise, trade, science, technology, and innovation; *Forbairt*,[3] focused on the development of domestic industry; and the International Development Agency Ireland, or simply IDA Ireland, which is now solely focused on the promotion and development of FDI. While there has been considerable growth in indigenous industry since that time, most of the expansion has been limited to either the basic production of local materials, such as food production, or support industries for the foreign firms, such as construction or paper products (Kirby 2002, 20).

Additionally, the 1990s also saw another component of the development agenda—the government's long-standing focus on education and training policies—come to fruition. Begun in the 1960s when the Republic first established free secondary education, the Irish government has continued on a policy-track to improve the skill base of the Irish labour force. Central to the goal of attracting FDI, policy-makers believed that multinational corporations are more willing to invest in economies if the unemployed labour supply is also highly skilled. Due to the focus on skill development, the vast majority of individuals unemployed within Ireland had the skills necessary to fill the jobs that were eventually created in the late 1990s. In 1988, the Irish government formed the *Foras Áisenna Saothair* [National Employment and Training Authority, or FÁS] by amalgamating three separate organisations dealing with the labour market: the Labour Policy Agency, the National Training Agency, and the Manpower Unit of the Department of Labour. By coordinating responsibility for all of the national training and employment schemes within this new autonomous agency, the government sought to improve the effectiveness of its labour market policies. In the past these policies were somewhat disjointed and one Irish official maintains the consolidation was an attempt to "address the redundancies and contradictory policies" arising from "three semiautonomous agencies responsible for the labour market" (Author's Interview). Nevertheless, another Irish official contends that the creation of the single agency did not result in any discernible policy shift on the part of the Irish government:

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[3] In 1998, the Irish government merged the three separate state bodies that supported domestic industries—*An Bord Trachtala*, *Forbairt* and the 'Services to Business' function of FÁS—into a new, independent state agency, Enterprise Ireland.

> Ireland had a very underdeveloped labour market policy and the 'job creation' agenda was primarily through attracting foreign direct investment and domestic entrepreneurship. There was an emphasis on secondary education and vocational training, but it was not a well defined policy until the jobless growth in the early 1990s. (Author's Interview)

With the unemployment rate peaking at 17.5 percent during the economic crisis of the 1980s, the goal of stimulating employment growth became a key feature of the government's plan for economic recovery, even though the mechanisms for doing so were initially left unexamined. Focussing government policy on attracting FDI to stimulate growth, it was assumed that this investment would necessitate a subsequent growth in jobs. However, one of the most distinguishing features of the early years of the Irish boom was that it was largely marked by jobless growth. As the industries that were attracted by the IDA to invest in Ireland primarily built branch plants specialising in high skill and technology-intensive production, only a small number of new jobs were created. As a result, the unemployment rate was still at 10.3 percent after the first 10 years of the Celtic Tiger period. However, Ireland began to experience significant employment growth in 1997, with the unemployment rate eventually dropping to a low of 3.9 percent in 2001 (Eurostat 2004).

While a component of the growth in employment was due to the rise of small indigenous industries that arose to service the multinationals, the primary source for the rapid turnaround was the shift in government policy away from a passive approach to the labour market and towards taking a much more active role. An almost exclusive focus on demand-side labour market policies was maintained until the mid-1990s, when it became clear that this path was not sufficient to stimulate employment growth in the manner required by the Irish economy. One Irish official notes it was at this point when a group of civil servants within the Department of Enterprise, Trade, and Employment began to push "for a more robust inter-linkage between the manpower service and the welfare system" as a key component to the Irish approach to the labour market (Author's Interview). Nevertheless, the political elite did not initially support these policies and the initiative was not brought to the forefront of the agenda until the EES was adopted in 1997. By pointing to the international commitment made by the Irish government in the adoption of the EES, and the subsequent requirements it imposed to take a more active role in the labour market, proponents of more supply-side measures have been fairly successful in institutionalising their desired policy framework. For these officials, the "catalyst of change" was the establishment of the Improving Employability pillar of the EES and the creation the active and preventative measures guideline.[4] As one Irish official observes,

> The EES then came along in 1997, and the very first guideline of the strategy was that every unemployed person would be engaged within twelve months of their becoming unemployed, with a view to an offer being made to them—an offer either of a job or an offer of some training or support of some description. That, if you like, was the catalyst for change. It was that which enabled me to say to our minister you guys have all signed up to this and that happened fairly quickly because we had to develop a national action plan for employment and we had to demonstrate that we were going to meet this commitment: an intervention with an unemployed person within the first 12 months and a young person within 6-9 months. And that meant doing a lot of rearranging of structures and interfaces between the manpower services and the welfare system. And that was all put into place such that when people became unemployed or added to the register would automatically referred up to the manpower service for engagement and support. (Author's Interview)

Due to the focus of the EES on activation, the relative importance of FÁS and more supply-side labour market strategies was increased in national policy debates. For example, life-long learning initiatives grew by over 50 percent from 1996-2002, representing a significant expansion of skill development and retraining programs (B. McCormick 2003, 20). While it was convenient that the emergence of these measures coincided with the economic boom in Ireland, the rapid reduction in unemployment since 1997 was due in no small part to the services the government was now offering the unemployed in terms of retraining and job placement (C. Murphy 2002, 109-110). Furthermore, the rapid reduction also suggests that the new approach to the labour market may offer a more sustainable method of combating unemployment than the excessive reliance on the demand driven framework that was followed historically, as the unemployment rate has only shown a small increase despite the recent economic slowdown.

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[4] The initial active and preventative measures guideline adopted by the European Council (1997) states that "Member States will develop and implement active and preventative measures for the unemployed and the inactive designed to prevent inflow into long-term unemployment, and to promote the sustainable integration into employment of unemployed and inactive people … Member States will ensure that *every unemployed person is offered a new start before reaching 6 months of unemployment in the case of young people and 12 months of unemployment in the case of adults in the form of training, retraining, work practice, a job, or other employability measure, combined where appropriate with on-going job search assistance; by 2010, 25% of the long-term unemployed participate in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States*" (11-2, emphasis original).

As well, the influence of Europe in both redefining the economic policies pursued by Ireland and sustaining Irish development was not limited to the EES. While not an explicit aspect of any government strategy or social partnership agreement, a broad consensus existed throughout Irish society in general, and within the government in particular, regarding membership within the European Community. The Irish approach to Europe may be best characterised as "reactive self-interest" through which Ireland seeks to promote a narrow range of interests at the European level quite strongly, while minimising its input on broader debates where its interests are less explicit (Holmes 2005, 3-5). Toward this end, Ireland's negotiating position at the EU level is consistently pragmatic and flexible; Ireland attempts to join winning coalitions whenever possible, and it is often focused on trying to develop a consensus with other member-states rather than offering strict opposition (Laffan 2005, 182). Similarly, one Irish official observes that participation within European integration was judged to have a highly positive impact on Ireland by all political parties in Ireland and "policy-makers increasingly sought to use European initiatives to assist in national development" (Author's Interview). As was mentioned above, the Republic began receiving significant financial contributions from the moment it joined the EEC in 1973, drawing from both the CAP price supports and various structural funds. Reflecting this preference, another Irish official contends that successive Irish governments deliberately restructured their development policies in order to "qualify for European structural funding" and that "Ireland would not have developed a number of training policies, such as life-long learning, without the stimulus provided by Europe" (Author's Interview).

Ireland continued to maximise their revenue from structural funding into the 1990s. In 1990, Ireland was second only to Greece in the amount received from ESF funding as a percentage of GDP, and, even at the height of the economic boom in 1999, Ireland was still the third highest recipient, receiving funding equivalent to 2.5 percent of GNP (Kleinman 2002, 113-4). Moreover the Republic was still one of the highest beneficiaries in the 2003-2006 round of structural funding, even though the level of structural funding that Ireland received had decreased. Despite the expected reduction of funding after 2006, with the vast majority now being directed to the new member-states, the funds have had a lasting impact on Ireland. Adherence to the various EU programs has led to the creation of new oversight mechanisms for government expenditure, and the funds have been used to augment a variety of government programs ranging from major infrastructure developments to worker retraining initiatives (Laffan and Tonra 2005, 451). As one Irish official contends, the policy priorities of the ESF served to push "government policy into the direction similar to what Europe suggested. This continued into the mid-1980s, but then influence began to reduce on the margins as Ireland began to reach its maximum limit. However, by that time, the policies were largely institutionalised" by the national systems of governance (Author's Interview). As an example, the official goes on to note how the "ESF funded approximately half of the budget for the National Training Agency" in the 1980s, and provided the only incentive for the government to pursue policies focused on the labour market supply when the rest of the agenda was almost exclusively centred on stimulating demand (Author's Interview). Due to the extensive utility that Ireland has received from the structural funds, Ireland is frequently cited as a model for other member-states to follow in using European funding to aid in development.

Granted, government reports suggest that the impact of the structural funds as a causal factor on Irish development are grossly overemphasised, as these funds only accounted for less than 1 percent of the rapid growth experience by Ireland (Finnegan 2001, 180). Praising the role of FDI in developing the Irish economy, these reports contend that the ESF was a contributing, but not essential, feature of Ireland's economic growth in the 1990s, and suggest that the boom would have likely occurred even without the structural funds. Nevertheless, one official asserts that the opportunities for structural funding served to "push the government towards certain policies" in their quest to maximise their benefit (Author's Interview). Additionally, the persistent attempt of the Irish government to maximise their economic return also had a vastly unintended benefit upon Irish society, considering that the objectives of most ESF initiatives focus on relieving inequity, promoting social inclusion, and combating unemployment. In meeting the requirements of the ESF funding programs, the government also institutionalised a support structure to help alleviate the social ills that accompanied the rapid economic development. As such, even if structural funding was not an essential feature of the rise of the Celtic Tiger, its presence acted to help mitigate the problems that arose from the dogmatic acceptance of the development agenda launched in the 1960s.

Still, if one begins to break down the types of jobs that have been created in Ireland over the last decade, then the fragility of the economic growth becomes clear. Of the 450 000 jobs that were created from 1994-2000, 74.5 percent of these jobs were found in the service sector (Kirby 2002, 50). While 28 percent of the growth in the service sector took place in financial and other business services, the majority of growth has been generated in sectors characterised by limited job security and relatively low pay. Contrary to the suggestion raised by some observers that this shift to the service sector is indicative of a trend towards a more prosperous society consisting of high skilled and high paying jobs, the expansion of the service sector within Ireland has exacerbated the gap between the haves and have-nots. Throughout the entire growth period 1990s, the earnings dispersion within Ireland rapidly expanded. While per capita GDP has grown by over 40 percent over the last 10 years, over 1 percent of the total income in Ireland has shifted away from the bottom 30 percent of the population during the same period. Due to this redistribution, Ireland emerged as the most unequal state within Europe, and better than only the United States in the entire OECD, by the turn of the century (O'Hearn 2003, 47). Nevertheless, these concerns surrounding socio-economic equity and poverty reduction have begun to be addressed to a greater degree within Ireland, due to the increase profiled these issues have received by at the European level in the ongoing discussions regarding the European social model. By drawing upon European developments, different groups in Ireland have sought to augment their relative position within the social partnership negotiations and expand the scope of active labour market and social inclusion policies. By challenging the exercise in pragmatic consensus building represented by the practice of social partnership, as well as the changing dynamics caused by the expansion of negotiations to include civil society organisations in the mid-1990s, the active contestation over social policies are continuing within Ireland.

Social Partnership

Beginning in 1987, the Irish government reintroduced corporatism to Ireland by bringing together trade unions and employer organisations to negotiate the first social partnership agreement, the Programme for National Recovery. Faced with the economic and social crises of the early 1980s, one Irish official argues that the return to social partnership stemmed from a desire to "manage interlocking elements of the economy and the behaviour of the economic agents" (Author's Interview). Toward this end, the official goes on to suggest the government felt that they needed to moderate wage increases, which they hoped would promote the perception that the Irish labour supply is internationally competitive, in order to "escape the vicious circle of stagnation, rising taxes and spiralling debt" (Author's Interview). Initially structured as tripartite and triennial wage pacts between trade unions, business groups, and the government, social partnership has evolved in Ireland to encompass a wide range of issues and participants, expanding to include every aspect of socio-economic governance in the Republic. With the expansion of social partnership to the community and voluntary pillar, consisting of civil society organisations, during the 1996 negotiations over the Partnership 2000 for Inclusion, Employment, and Competitiveness agreement, the corporatist arrangement within Ireland became one of the most inclusive among advanced capitalist economies.

Traditional corporatist arrangements may be divided into two separate categories. First, social corporatist arrangements are constructed with the assumption that there is an inherent antagonism between the two sides of the negotiations, capital and labour, and that a compromise between the two parties only arises when "the power of labour and capital are roughly balanced" (T. Turner 2002, 279). Closely associated with social democratic welfare regimes, this approach adopts an inclusive perspective of the labour market that encompasses all social groups. As a result, negotiations are often marked by a high degree of social solidarity, with trade unions acting on behalf of not just their explicit members, but also those groups that are not directly present at the negotiation table. Consequently, social pacts agreed to under this arrangement tend to emphasise social security regimes directed toward egalitarian outcomes and social solidarity. In contrast to social corporatism, the second approach, liberal corporatism, adopts a much narrower understanding of the process, and rejects the assumption of antagonism between participants by suggesting that compromises arise from the "essential commonality of interests between capital and labour" (T. Turner 2002, 279). Much more inwardly focused, outcomes under these arrangements tend to reinforce the socio-economic status quo and reflect the relative power of the participants. While use of social corporatist arrangements has declined since the 1970s, liberal arrangements have become more influential, characterising most of the social pacts that emerged or re-emerged within European countries throughout the 1990s (T. Turner 2002, 280). Re-designated as competitive corporatism, these arrangements emerged in response to high levels of unemployment and decreasing competitiveness of European economies as an alternative to the unmitigated dismantling of the European social model prescribed by neo-liberalism (Rhodes 1998, 179). As a result, competitive corporatist arrangements create an ideological compromise that closely resembles the concept of embedded neo-liberalism outlined in Chapter Two.

The practice of corporatism in Ireland first emerged in the 1960s through the use of synchronised collective bargaining rounds. Due to inheriting an adversarial industrial relations system from the UK, wage negotiations were largely decentralised and uncoordinated, with state involvement minimised to only arbitration between management and labour (O'Donnell and O' Reardon 2002, 2). Still, the early attempts at synchronisation were encouraged by the Lemass government in the 1960s, which established a number of national bodies for economic interests to facilitate a transition to the new development agenda and encourage national consensus for membership in the EEC (G. Murphy 2005, 359). As the use of tripartite institutions became more normalised within Ireland, the industrial relations system shifted towards increased national co-ordination and centralised bargaining, eventually cumulating in the first National Wage Agreement being negotiated between the peak associations of employers and trade unions in 1970. One of the key features of these agreements was the gradual easing of the historically antagonistic relationship between capital and labour (D'Art and Turner 2002, 3). However, the commitment to these agreements on the part of both groups began to wane following global economic downturn after the first oil crisis in 1973. In an attempt to ensure that industrial relations continued to remain relatively harmonious, the Irish government began to help facilitate the bilateral negotiations through fiscal commitments throughout the 1970s, eventually formalising it within the first of two National Understandings in 1979 (O'Donnell and O'Reardon 2002, 196-7). Despite the involvement of the government, both capital and labour continued to be disillusioned with the process until it was abandoned in the early 1980s.

As noted earlier in the chapter, Ireland experienced a dramatic economic downturn in the 1980s, and, in response, the government re-introduced the practice of tripartite bargaining on the initiative of the social partners. These new negotiations, now identified as social partnership, sought to galvanise support for a radical program of economic restructuring that participants hoped would bring the Irish economy towards a more sustainable level of development (Roche and Cradden 2003, 79-80). While initially focused on economic recovery, seven social partnership agreements have been negotiated since 1987 dealing with a wide range of social and economic concerns.[5] As a key component, every agreement has included a three-year deal on negotiated wage increases, typically set at a moderate level in exchange for tax reductions that combine to increase the level of take-home pay for participants (Rhodes 2001, 107). Another key component of these agreements has been the adoption of fiscal conservatism and macroeconomic stability through monetarism, argued to enhance the relative competitiveness of the Irish economy (O'Donnell and O'Reardon 2002, 198). Still, it is the focus on consensus building among the social partners that brings the practice of social partnership more closely in line with the ideal-type of competitive corporatism.

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[5] There have been six social partnership agreements implemented between 1987 and 2006. The first three social partnership agreements, the Programme for National Recovery (1987-1990), the Programme for Economic and Social Progress (1991-1994), and the Programme for Competitiveness and Work (1994-1996), were negotiated between the Government and the social partners (union, business, and farming). With the 1996 negotiations for fourth social partnership agreement,

Most importantly, the social partners themselves initiated the practice of social partnership, through the tripartite NESC, which suggests that the antagonism that had defined Irish industrial relations had been eased by the emergence of a shared common interest. In focusing on this aspect of social partnership, one Irish official maintains that the Irish approach to corporatism can be clearly contrasted to the antagonistic relationship between participants found in social corporatist arrangements:

> [while] Europe, with its insistence all along that people have to be involved and consulted and be part of the process certainly had a significant influence on the concepts [of social partnership], the actual structure [in Ireland] is different …. In other countries, what tended to emerge was that sort of neo-corporatism built around a social democratic party and the unions, and then

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Partnership 2000 for Inclusion, Employment and Competitiveness (1996-1999), the process included the community and voluntary pillar for the first time and two more agreements were agreed to under the new process, the Programme for Prosperity and Fairness (2000-2002), and Sustaining Progress (2003-2005). In June 2006, talks concluded on the seventh social partnership agreement, Towards 2016. As the title of this agreement suggests, this agreement will extend for 10 years, even though the pay elements of the deal will be renegotiated every 2-3 years between the trade unions and business.

> the employers being part of it, whereas in the Irish context it wouldn't have emerged in that way at all. It emerged out of a crisis where effectively the middle ground, as it were, both in the unions and in the employers, and in the political process, felt that something had to be done. (Author's Interview)

Due to these sentiments of co-operation and common interest held by both the Irish Business and Employers Confederation [IBEC] and the ITUC, all participants, especially in the initial Programmes, were in agreement over the macroeconomic direction of monetarism and economic liberalisation (O'Donnell and O'Reardon 2002, 200). Of course, both trade unions and businesses were partially driven by more narrowly defined interests. One official from the ITUC notes trade unions returned to social partnership in order to "re-secure minimum pay increases, relieve the tax burden on workers" and prevent the Irish government from following the lead of their British counterparts and embarking on a campaign to "further weaken the trade union movement" (Author's Interview). As well, one official from the IBEC suggests employers entered social partnership with the objective of exercising an influence on government economic policy in order to "cut government expenditure, reduce national debt, and promote economic and fiscal reform" (Author's Interview). Nevertheless, a central aspect of the process of social partnership has been "the adoption of a 'problem-solving approach'" in which "the partners do not debate their ultimate social visions" (O'Donnell 2001, 311). This emphasis on pragmatic problem-solving represents an attempt to de-politicize the debate over socio-economic governance and create a broad consensus toward embedded neo-liberalism.

However, when the social and economic costs associated with the rapid growth began to emerge in the mid-1990s, the neo-liberal consensus began to breakdown. In an attempt to appease critical civil society organisations that argued the social partnership agreements only served to exacerbate the rising levels of income disparity and relative poverty, the process was expanded in 1996 to include the community and voluntary pillar with the negotiations over the Partnership 2000 for Inclusion, Employment, and Competitiveness agreement. Still, rather than leading to a reassertion of the neo-liberal consensus, Partnership 2000 began to slowly shift government policy away from a dogmatic adherence to economic liberalisation and toward the acceptance that some level of government intervention in the economy is necessary to alleviate social ills (O'Donnell 2001, 311). Nevertheless, one must avoid over-emphasising this minor shift in consensus. As will be demonstrated later in this section, a number of civil society groups maintain that the social partnership negotiations are still largely focused on achieving an agreement based upon principles embedded within a neo-liberal ideology.

In many ways, this broadening of social partnership has transformed it into somewhat unique institutional arrangement. As demonstrated by Paul Teague in his 2002 study, the practice of social partnership in Ireland transcends the "arguments, approaches, and orientations" found within the existing literature on enterprise partnerships (3). In contrast to the traditional approach of "tough negotiations between the 'two-sides' of industry," social partnership within Ireland is best characterised as a pragmatic, problem-solving approach centred on developing a "shared national understanding of the key opportunities and constraints shaping the country's prosperity" by bringing together a representative cross-section of Irish society (Teague 2002, 9). Nonetheless, despite the inclusion of civil society within the negotiations, the actual focus and practice of social partnership is far less innovative. The continued focus on 'problem-solving' and 'pragmatic consensus building' serves to reinforce and perpetuate the hegemonic orientation of socio-economic governance within Ireland.

Until the negotiations over the Partnership 2000 agreement, social partnership within Ireland reflected the general trend toward competitive corporatism throughout Europe; both labour and capital expressed a broad agreement with the market liberalisation agenda pursued by the government and an inward focus on the redistribution effects of development that tended to benefit insiders at the expense of those not represented by either peak association. In particular, the articulated rationale expressed by the ITUC for participating in social partnership, to prevent a further deterioration of their role within Ireland and the existing level of social protection they enjoyed (Author's Interview), seems to directly parallel the expected motivations for trade unions to participate in a competitive corporatist arrangement (Rhodes 1998, 182-3). As one Irish official notes, the participants were focused on developing a "consensus" on the best process for bringing Ireland "out of the economic crisis" and promoting "strong economic growth" when social partnership was first introduced (Author's Interview). Regardless of the different constituencies represented by the government and the social partners, another Irish official similarly notes there was a prima facia agreement between all participants that the "key to Irish development" lay in "attracting foreign investment and introducing a broad ranged of tax reductions in order to promote consumption" (Author's Interview). As such, the early negotiations reflected an attempt to adapt the liberalisation agenda developed by the government in the 1960s to the economic realities of the 1980s, rather than the creation of any new policy alternatives.

However, beginning with the Partnership 2000 Agreement, social partnership began to shift away from this ideal-type. Following the increase of relative poverty and income inequality that accompanied the high levels of economic growth in the 1990s (Kirby 2002, 55-60), groups critical of the development strategy endorsed by social partnership became more visible within Irish society. In addition, the developing discourse surrounding social inclusion at the EU level in the mid-1990s further legitimised the critique offered by these groups. In this way, one Irish official maintains that this emerging debate in Europe had an "overarching impact" within the national discourse by promoting the notion "that the economic and the social should be integrated in the sense that economic development, and change, and employment depended on a high level of social inclusion … and that equally, the promotion of social inclusion depended on a dynamic growing economy" (Author's Interview). In response, the existing participants decided to include these civil society organisations, who demanded an increased focus on social inclusion, within the process of social partnership in an attempt to bring them into the broad consensus over socio-economic governance. Reflecting the historical practice of creating informal networks of trust to deal with questions of governance (Gallagher and Komito 2005, 257), and the cultural predisposition towards both 'authoritarianism' and 'personalism' (Coakley 2005, 55-6),[6] the expansion of negotiations represent an attempt to reinforce the hegemony of embedded neo-liberalism within Ireland. While the success of Partnership 2000 seemed to indicate a new consensus had been achieved, subsequent developments acted to push governance further away from the competitive corporatist ideal-type. As participation by the community and voluntary pillar became more normalised, these groups reasserted their initial critique of the existing development strategy, demanding broader socio-economic outcomes. Similarly, the ITUC began to advocate for outcomes more closely associated with social corporatist arrangements as some of its members, like the Services, Industrial, Professional, and Technical Union, became more critical on the narrow focus of the agreements on competitiveness. Finally, a number of different groups took advantage of commitments made by the Irish Government at the European level, such as the EES and the social inclusion initiatives, to push for the adoption of more active social policies. As a result of these different pressures, the overarching emphasis on pragmatic problem-solving that had defined the earlier agreements became slowly replaced by a resurgence of antagonism among the participants.

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[6] In this context, authoritarianism refers to a "distinctive type of attitude that combines *deference* to the views of established leaders with *intolerance* of those who

A key turning point occurred in 2003, when a number of civil society organisations, led by the National Women's Council [NWC] and the Community Platform walked out of the negotiations on Sustaining Progress.[7] Arguing "nothing in

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dissent from these views" (Coakley 2005, 55). Following David Schmitt, personalism may be "defined as 'a pattern of social relations in which people are valued for who they are and whom they know—not solely for what technical qualifications they possess'" (quoted in Coakley 2005, 55).

[7] The Community Platform was set up in 1996 by national networks and organisations within the community and voluntary sector to pool their resources and help enable them to participate more effectively in the social partnership negotiations.

the current agreement served to advance equality issues," one Irish NGO official suggests that Sustaining Progress only served to act as a "smokescreen" for future cuts to government expenditure (Author's Interview). Believing that they could address equality issues more effectively by remaining outside of a process they considered 'tainted,' these groups refused to sign onto that agreement. Regardless, these NGOs contend that they are still firm supporters of the principle of social partnership, recognising that it is both a key contributing factor to Irish growth and can serve as a useful tool for addressing social and economic inequality (Author's Interview); even though they refused to endorse the agreement, they continued to participate in the other tripartite institutions like the NESC.

While a number of interviewees suggested that the withdrawal of the NWC and the Community Platform is indicative of a deeper crisis of the articulated principles of social partnership (Author's Interview), as it suggests that the expansion of negotiations to include issues of poverty reduction and social exclusion is not leading to any substantive policy changes, I contend that it is a mistake to read this as a 'crisis' of social partnership. Instead, the withdrawal of these groups acts to reassert the boundaries of corporatism and the distinction between different actors within debates over socio-economic governance. Commenting on the departure of these groups, one Irish official argues that "the Community Platform and the [National] Women's Council not signing on is irrelevant right now … at the end of the day, the

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Currently, the Community Platform has 25 members; while there are some larger organisations that participate in the Platform, like the National Women's Council of Ireland (which also participated separately in the negotiations), most organisations are considerably smaller.

key sort of dynamics in this are obviously government, and business and unions" (Author's Interview). As well, the official goes on to suggest that even though

> the social pillar is crucially important from the point of view of ensuring that the economic and social are integrated … [and] the people not being involved does now raise a question mark, I think they were very foolish in the sense that their view of what the social partnership was about was almost like they were going to go in and negotiate the different areas of public expenditure with government, which would never happen. (Author's Interview)

In this way, the withdrawal of these civil society organisations brings the Irish system in line with both the ideal-type of competitive corporatism and the mode of social relations of production promoted by the neo-liberal hegemonic project. Within both models, a firm distinction is made between insiders and outsiders; despite a broader understanding of social partners within the Irish system, there still exists a ranking between participants, and economic based groups—such as employers and trade unions—are accorded a more privileged position within the debates. As well, the continued focus upon problem-solving and pragmatic consensus building—and the alienation of those groups that choose not to join into the broader consensus by labelling them as "foolish" or irrational—also reflects the de-politicization discourse promoted by competitive corporatist arrangements.

Conclusion

The Republic of Ireland has been transformed by its membership in the project of European integration. Central to the development agenda adopted in the 1960s by the Lemass government, membership reoriented the political economy of Ireland, laying the foundations for the rapid economic growth in the 1990s. In joining the EEC, Ireland was able to diversify its export market; after achieving a more balanced distribution of trading partners, the Irish government attracted FDI from American and Japanese multinational corporations. Moreover, by constitutionalising the development agenda within the independent IDA, the government continued on its policy of minimal corporate taxation and the promotion of export-oriented growth during the severe economic recession that occurred throughout the 1970s and 1980s. Populated by bureaucratic experts, institutionalising the reliance upon the IDA to facilitate economic growth effectively depoliticised the debate over development policy by characterising it as an administrative exercise. In this way, alternative economic policies, such as interventionist approaches like Keynesianism, were marginalised as unviable, based upon the assumed expertise invested within the IDA.

As the economic recession continued to worsen, social forces in Ireland sought to implement an even more radical program of economic restructuring. Echoing the global trend toward disciplinary neo-liberalism in the late 1980s, social forces within Ireland sought to implement an economic program of strict fiscal discipline and monetarism. Once again, domestic initiatives were reinforced by developments at the European and global levels. The commitment made by the Irish government to join both the European Monetary System and the Economic and Monetary Union further reinforced its focus on fiscal discipline and anti-inflationary monetary policy (McAleese 2000, 98-101). Similarly, the disciplinary mechanisms of both the Maastricht convergence criteria and the Stability and Growth Pact both reinforced the influence of neo-liberalism within Ireland (Gill 2001 49-51).

Reflecting the rising influence of the neo-liberal discourse of competitiveness and transnational capitalism in Europe, Irish social forces sought to institutionalise this new ideology by reshaping the mechanisms for socio-economic governance. As the Irish government needed to re-negotiate the development strategy adopted in the 1960s, it attempted once again to create a broad consensus around the new economic policy tract. Just as the tripartite structures of the 1960s were focused on developing a broad consensus between major economic interests on how the economy ought to be managed (G. Murphy 2005, 359), corporatist arrangements were implemented once again in order to formulate broad support for the new policies. Through the introduction of social partnership agreements in 1987, a broad based consensus within Irish society was achieved to implement the neo-liberal restructuring program. One of the key elements of these initial agreements was the general consensus among all participants regarding the macroeconomic policies that must be adopted (O'Donnell and O'Reardon 2002, 200). By engaging in this practice of pragmatic consensus building, participants came to an ideological compromise among them, and began establishing a neo-liberalism hegemonic order.

However, participation within the project of European integration has also led to a number of counter-hegemonic influences, as various social democratic initiatives emerging from the EU have been transposed into Irish society. First, European programs to expand gender equality have significantly reshaped gender relations within Ireland. The implementation of the early Directives on Equal Pay and Equal Treatment forced the Irish government to begin addressing structural barriers to gender equality (Cassells 2000, 69-70). Similarly, the Equal Opportunity pillar of the

EES and other European initiatives has led to the adoption of a wide range of programs to reduce the wage gap and the gap in participation and employment rates between men and women (Russell and Gannon 2002, 64-65; Russell 2002, 93-96). Secondly, both the structural funding requirements and the activation guidelines of the EES have encouraged the adoption of active labour market mechanisms, which helped to mitigate the social ills accompanying the rapid growth of the 1990s. During the economic crisis of the 1980s, the government's attempt to maximise its use of structural funding was often the only pressure to maintain any programs focused on the labour supply or social equity when the governing consensus was largely centred on stimulating demand and fiscal conservatism. As well, compliance with the activation guidelines, including the expansion of retraining and job placement programs after 1997, had a "profound effect on national labour market policy" and a direct impact on the expansion of employment (C. Murphy 2002, 109). Finally, social policy initiatives at the European level have reshaped the socio-economic discourse with Ireland, introducing concepts such as social exclusion that expanded and redefined the national debate over relative poverty (Ryan 2000, 66-7). By creating a 'new' policy area, the European debate over social exclusion further legitimised the critiques being raised regarding the polarising effect of the rapid development, as they were now able to reference the commitments made by the Irish government at the European level. In an attempt to engage with these concerns, the practice of social partnership was extended to include civil society organisations focusing on questions of poverty reduction and social exclusion. By including these groups within the debate, the hegemonic consensus began to fracture.

Nevertheless, more recent developments at the European level serve to reinforce the hegemony of embedded neo-liberalism within Ireland. Just as the debate over social exclusion at the European level is being increasingly defined by the neo-liberal discourse on competitiveness, the debate within Ireland is being similarly limited to market-based solutions and job creation is increasingly seen as the panacea for all social ills. While the recommendations outlined in the 1999 NESC Strategy Report included an expansion of government programs to address social inclusion and equality, the articulated objectives of Sustaining Progress maintained an almost exclusive focus on market based solutions and competitiveness:

> To continue progress towards the realisation of the NESC vision for Irish society in terms of:
>
> - economic inclusion based on full employment;
> - consistent economic development that is socially and environmentally sustainable, social inclusion and a commitment to social justice;
> - and continuing adaptation to change;
>
> In this period of considerable uncertainty, to do this by sustaining economic growth and maintaining high levels of employment and securing living standards for all, while strengthening the economy's competitiveness and thereby its capacity to resume trend growth in more favourable international conditions (Department of the Taoiseach 2003, 12).

In this manner, the debate with Ireland is paralleling the recent shift in the mode of regulation governing European integration. In the early 1980s, Ireland's increased interaction with continental Europe led to a gradual acceptance of corporatist arrangements and the introduction of the social partnership process in 1987 (O'Donnell 2000, 177-8). In a similar manner, the new debate regarding social partnership is also being reshaped by developments in European social policy.

However, while the initial developments engendered the expansion of social democratic elements in Ireland, the restructuring of the EES and the European approach to social inclusion are reinforcing the trend towards neo-liberalism within Ireland.

CHAPTER FIVE

THE 'EUROPEANISATION' OF THE GERMAN WELFARE STATE

Due to Germany's role as both a founding member and the largest economic unit with Europe, the project of European integration has occupied a central position on the policy agenda for Germany throughout the second half of the twentieth century.[1] Depicting the relationship as an "Europeanization of state identity" (29), Peter Katzenstein (1997) maintains that the German model of political economy, as well as the relative success of the post-war economy, is widely associated with membership in the European Community by both the German government and population. Moreover, this perception is reinforced by both the original motivation for signing the Treaty of Paris and the high degree of co-ordination that has continued to define the relationship between Germany and the European governance structures. As noted by William Chandler (2002), German participation within the integration project was largely driven by an attempt to regain "legitimacy via reconciliation and integration" (202). In an attempt to accommodate the demand among its European neighbours to create an extensive network of interconnections that would delegitimise the future use of violence among the participants, the German government envisioned the integration project as a mechanism they could use to rebuild Germany after World War II and to regain its international acceptance as a sovereign state (Dedman 1996, 64).

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[1] Unless otherwise specified, the phrases 'Germany,' 'the German government,' and 'the German model' refer to the Federal Republic of Germany.

Reflecting this initial motivation, successive German governments have consciously formulated domestic policy through the lens of Europe, consistently exhibiting a high level of support for deeper integration and increased competency at the supranational level (Anderson 2005, 78-80). Due to the preference of German governments to seek 'European' solutions, integration has had a defining impact in shaping the type of policies that were adopted at both the European and German level. However, this relationship is not primarily one of causality; the growing congruence between national and supranational policies did not result from the dominance of one level over the other but rather "from reciprocal influence and adjustment" (Anderson 2005, 79). In other words, the congruence was caused by neither the dominant nor the submissive role that Germany played within the inter-regional politics of European integration. In contrast, the relationship is defined by reciprocity between the domestic and European policy networks, in which both the EU and Germany are redefined by the relationship (Webber 1999b, 8). Moreover, this reciprocal relationship has contributed to the recent redefinition of the German socio-economic model embarked on by the German government in the mid-late 1990s. Despite the relative disassociation with Europe undertaken by German policy-makers since reunification in 1990, the European debate over social policy co-ordination—and the growing trend towards neo-liberalism in general—has reinforced recent initiatives to reform national social policy. In the midst of a perceived crisis of the German social model, the European debate is contributing to the domestic realignment toward embedded neo-liberalism.

The development of the German socio-economic model in the post-war era was driven by an attempt to institutionalise a series of structural barriers that would help ensure stability and growth by dispersing power throughout German society. A key example of this post-war preference for power sharing is the form of federalism implemented when the Federal Republic of Germany [FGR] was formed in 1949. While the practice of federalism was not new within Germany, as the Weimar Republic was also a federal system, the Allies sought to construct a highly decentralised system that associated democracy with strong regional governments, in which co-operation between the *Bund* [federal] and the *Länder* [state] governments were understood as a precondition to the operation of democracy (Glaessner 2005, 19). By constitutionally entrenching residual powers to the *Länder* within Article 30 of the Basic Law, this model of co-operative federalism both establishes a strict segregation of responsibilities between the various levels of government at the same time that it mandates collaboration. Initially this configuration was understood as a "three-tier model" that includes the *Länder*, the *Bund*, and the federation; within this model, both the *Länder* and the *Bund* are seen as subsystems of the federation and equal partners (Gunlicks 2003, 55). While a series of constitutional amendments implemented in 1994 have weakened the relative autonomy and power of the *Länder*, the principle of co-operation between the different levels of government is still a defining feature of German federalism (Gunlicks 2003, 218-221).

In a similar manner, the socio-economic model adopted after World War II sought to reinforce the principle of power sharing by providing a balance between an unmitigated market and strong state involvement. Rather than direct regulation, the

German government provides a loose management of the economy by establishing broad frameworks for co-operation between capital and labour (C. Allen 2000, 149-51). In addition, government involvement tends to focus upon establishing core regulations for the economy and standards for industrial practice through institutionalised consultation with industry associations (Tate 2001, 452-4). Reflecting the conservative tradition of the German welfare state, and the historical stratification of German society along industrial sectors, participation within the political process has largely been promoted along corporate lines. With consultation initially limited to national organisations that had a clear interest in the policy area under debate, the practice became formalised in 1967 when the government brought together peak organisations of labour and capital into a trilateral negotiation over wages, and other matters of economic governance, with the practice of *Konzertierte Aktion* [Concerted Action] (Timmins 2000, 41). Despite the collapse of the trilateral wage pacts in 1977, the preference for corporatist consultation with key social partners, dependent upon the issue under discussion, has continued to be pursued within the German policy process. Moreover, the practice of delineating social partners based upon their perceived expertise helps to underpin the existing divisions of power within society. In contrast to the practice of social partnership in Ireland, in which a large cross section of society is involved within matters of economic governance, the German system restricts the label of social partner to the federal associations of labour and capital. To a large degree, this preference for corporatist representation has deepened existing levels of social stratification, reinforcing key elements of the conservative welfare regime within Germany. Through promoting a strong 'insider-outsider' distinction within the policy process, the corporatist arrangements within Germany act to fortify the particular labour process model practiced in Germany. Strongly influenced by Catholic social theory and the principle of subsidiarity, the German labour process model emphasises social stratification along industrial sectors, the promise of single-firm employment spanning 30-40 years, and the male-breadwinner wage model. In addition, welfare benefits are tied to one's employment status, with social insurance schemes differentiated along industrial sectors and payments tied directly to contributions (Esping-Andersen 1990, 22).

A number of factors emerged in the 1980s and 1990s that challenged the status of the German socio-economic model. First, the economic and social costs of unification placed substantial pressure on the core principles of German social policy. Secondly, the acceleration of globalisation, including both the changing nature of production and capital markets, has reshaped industrial practices in Germany and the structural basis of the German economy. Thirdly, the changing demographic make-up of Germany, encompassing both the aging population and the rise of female employment, has placed additional strain upon the conservative welfare regime. Moreover, when this new demographic pressure is combined with structural changes in the nature of employment that reflect the processes of "de-industrialisation and tertiarization" described by Gøsta Esping-Andersen (2000, 24), the core principles of the conservative welfare regime were further eroded.[2] Finally, the deepening of

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[2] According to Esping-Andersen (2000), the processes of "de-industrialisation and tertiarization" reflect the wide-scale shift in employment from industrial production

European integration, ranging from the Single Market to the Economic and Monetary Union, has placed new demands and limitations on how economic governance is performed. As a result, the German government began to restructure its socio-economic model in the late 1990s.

This chapter examines the historical conditions that led to the recent policy shift in Germany and demonstrates how key developments in the EU policy process have engendered a reorientation of German socio-economic governance toward embedded neo-liberalism. The first section expands upon the historical relationship between German policy-makers and the project of European integration. Secondly, the chapter analyses the tradition of corporatism within the German model of socio-economic governance and outlines the practices of both co-determination and social partnership. In addition, this section explores the relationship between the German practice of social partnership and the evolution of the Works Council Directive at the European level. The third section examines the evolution of the German welfare regime and the recent competition over defining the social purpose of socio-economic governance in Germany. Following this assessment, the third section also looks at the recent neo-liberal turn in economic governance within Germany that followed the resignation of Oskar Lafontaine as Finance Minister in 1999. Finally, the chapter

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and toward the service sector (24). Moreover, Esping-Andersen (2000) goes on to note that the ability of expanding service employment "to absorb masses of redundant industrial workers cannot be taken for granted. Many, like business and health services, are skill-intensive, and the more routine and labour-intensive services … often require a modicum of social or cultural skills that a redundant steel worker is unlikely to posses" (103-4).

concludes by discussing the sustainability of the socio-economic reforms implemented by the German government under Chancellor Gerhard Schröder.

Germany and European Integration

The initial steps toward integration within Europe were motivated by a desire to find a way to bind the European states together in order to make future conflict between them untenable. By integrating the production of coal and steel within a supranational organisation, the 1950 proposal of a European Coal and Steel Community [ECSC] by French Foreign Minister Robert Schuman (1950) sought to establish the "common foundations for economic development as a first step in the federation of Europe, and … change the destinies of those regions which have long been devoted to the manufacture of munitions of war, of which they have been the most constant victims." Unlike the Treaty of Versailles in 1919, which was largely centred on exacting revenge on Germany through reparations, this proposal was principally concerned within reconciliation and the development of a lasting peace. Moreover, the core foundation of this process revolved around the inclusion of both Germany and France: "the solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible" (Schuman 1950). The proposal for pooling coal and steel production was institutionalised with the Treaty of Paris in 1951, and it was quickly followed by two additional attempts to further bind the member-states together, the European Defence Community and the European Political Community. While both of these initiatives failed, the principle of reconciliation between the member-states, and between Germany and France in particular, continued to define the integration process.

Due to the initial focus of integration upon reconciliation between Germany and France, the relationship between these two member-states has occupied a central role in the history of integration. The ubiquity of this relationship is clearly demonstrated by the wide variety of labels to describe it: the Franco-German relationship is frequently described as a special or privileged partnership, and the two states are often depicted as the engine or motor of the integration process and the core—or even hard core—of the member-states (Webber 1999b, 1). While the depth and cohesiveness of this relationship is somewhat exaggerated by these labels, there is some truth to these generalisations. Still, the importance of this relationship is largely dependent on the policy area. In some areas, such as agricultural policy, these two states play a critical role in the integration process, either through enabling integration to proceed when they agree or halting the process when they are in conflict (Webber 1999a, 124-7). However, the relationship is somewhat more ambivalent within the realm of social policy. Initiatives to further harmonise social policy at the European level were not primarily driven by these two states; even though both participated in "intergovernmental bargains to the legislative development of the social dimension" (Rhodes 1999, 130), neither state acted as the 'motor' of the integration process in this policy area. Nevertheless, the relationship between these two states had a defining influence on how the project of European integration proceeded. Shaped by the need to bind Germany to the other member-states in order to minimise the possibility of future conflict between them, both German and French success has largely associated with their participation within the project of European integration.

Moreover, due to the central role of Germany within the integration process, and its understanding that integration served as a mechanism to re-establish its legitimate status as a sovereign state following World War II (Chandler 2002, 202-3), the German approach to European integration has been to consistently align its interests with supranational developments until the mid-1990s. While this approach is by no means unique among the member-states, the strategies pursed by successive German governments seemed to be out of step with its relative capability and power. Unlike other large member-states, such as the UK and France, Germany seemed to have a more conciliatory relationship with the supranational institutions; in many ways, German behaviour more closely resembled the strategies followed by smaller member-states like Ireland (Anderson 1997, 80). German strategies toward the project of European integration have largely utilised 'soft power' through negotiation and institutionalisation to influence the direction of further integration. In contrast to the expectations of intergovernmentalists, as well as the numerous examples of clashes between the other large member-states and the supranational authorities, successive German governments consistently pursued a multilateral approach that included the upward transfer of sovereignty.

Germany's multilateral preference has prompted a number of scholars to examine the post-war policies of Germany to determine why it seems to act in a manner that is contrary to its relative size and capability. Up until 1989, Germany was often characterised as an "economic giant and a political dwarf" (Anderson 2005, 82), reflecting the disjuncture between its economic capability and the perceived passivity of its foreign policies. In contrast to a member-state like France, whose pursuit of its national interests led to such defining conflicts as the so-called Empty Chair Crisis of 1965-6, the German approach was to avoid playing a central role in the project by aligning its interests with those of the other member states. Due to this "leadership avoidance reflex," German interests were often articulated in multilateral terms and pursued in partnership with other West European states, most notably France, to reinforce both the process of reconciliation in Europe and the legitimisation of Germany in the post-war era (Jeffery and Paterson 2004, 60-2). However, the tendency toward multilateral action did not mean that Germany was not exerting power within the project of European integration.

With its preference for utilising 'soft power' strategies, German actors have been able to shape the development of supranational practices and organisations. Recognising that "institutions constitute actors rather than merely constraining their preferences" (Katzenstein 1997, 3), the German preference has been to concentrate on defining the content of key institutional structures within Europe. Principally this definition has been accomplished "through the supply of institutional models from the domestic arena which then set the institutional parameters for decision-making at the European level" (Jeffery and Paterson 2004, 601). In other words, German actors have been able to position their national systems and standards as 'best-practices' at critical junctures in the process of deepening integration, enabling them to outline the principles under which subsequent interaction will be performed. Moreover, the dominant role of the German economy within Europe has also enabled German governments to practice a form of 'chequebook diplomacy' to ensure that other member-states supported German initiatives; in the face of opposition to initiatives supported by Germany, the government historically proposed an expansion of the European budget—largely bankrolled by Germany—to appease those concerns (Anderson 2005, 82-3). As a result, a widespread congruence emerged between German domestic practices and the institutional framework that was forming at the supranational level by the end of the 1980s.

The strict distribution of competencies adopted by the EU, in particular the assumption that residual power within the EU rests with the member-states—or even regional authorities within the member-states—closely resembles the German model of co-operative federalism. Ranging from the conceptual evolution of subsidiarity and the preference for de-centralised authority, to the early practice of market regulation patterned after the German approach, the organisational model constructed through European integration mirrors German practices (Bulmer 1997, 61-72). Moreover, even in policy areas, like social policy, where the German government did not actively export its model, the institutional practices of power sharing and consultation with social partners still emerged. For example, the *Deutscher Gewerkschaftsbund* [German Trade Union Confederation, or DGB] exercised leadership within the emerging European labour movement to help shape the limited development of European social policy, even when state actors scaled back their own involvement in the process (Rhodes 1999, 130). Nevertheless, the trend towards policy congruence began to weaken at the end of the 1980s, with the rapid reunification of the FRG and the German Democratic Republic [GDR] that occurred after October 3, 1990. While an explicit policy reversal did not occur, the domestic costs of integrating East and West Germany together reoriented the historic relationship Germany held with the project of European integration.

Immediately following the end of World War II, the four Allied powers occupied Germany with the intention of jointly administering the territory. However, because of the increasing tension developing between the Soviet Union and the other three Allies in the late 1940s, the occupied territory became a key dividing line within the emerging Cold War. In response to the increasing conflict between the two blocs, both sides established their territory as separate states in 1949: the area jointly held by the UK, France, and the US was established as the FRG, the area under the jurisdiction of the USSR was established as the GDR, and the city of Berlin remained divided. While both states were formally established at that time, neither was entirely sovereign and the division was largely perceived as a temporary measure that would eventually be supplanted by the unified German state (Glaessner 2005, 1-3). This perception was particularly evident within the FRG, as the preamble of the Basic Law explicitly avoided using the phrase ‘constitution’ and emphasised the temporary nature of the document until such time as Germany could be unified:

> moved by the purpose to preserve its national and state unity and serve world peace as an equal part in a unified Europe, the German People … establish a temporary state order, by virtue of their constituent power, have adopted this Basic Law of the Federal Republic of Germany. The German People have also acted for those Germans who were not allowed to participate. The entire

> German People remains obliged to fulfill the unity and freedom of Germany in free self-determination. (Tschentscher 2002, fn 19)

The universalism explicit within this document, as well as the emphasis on "free self-determination," reinforced the commitment of reunification of the German people through democratic means. Still, the divisions between the FRG and the GDR became further entrenched as the Cold War continued, until the prospect of uniting the two German states seemed a very remote possibility in the early 1980s. Nevertheless, as the Cold War rivalry began to ease in 1989, actors in both the FRG and the GDR moved quickly to reunite the two German states.

Initially reunification was intended to be a gradual process of integration between the two systems, but the process was greatly accelerated following the collapse of the East German political order in late 1989. On November 28, 1989, the Chancellor of the FRG, Helmut Kohl, outlined a ten-point program of evolutionary change through "contractual and confederation structures between the two German states" with an indefinite timeline (Glaessner 2005, 57). However, the dismantling of the Berlin Wall that also occurred in November 1989, and the subsequent western migrations and public demands for reforms that occurred within the GDR, undermined the long-term viability of the East German government and called into question the ability of the two German states to act as equal partners in a future confederation. As a result, the negotiations regarding reunification were accelerated in mid-late 1990. On August 31, 1990, the Unification Treaty was signed, quickly followed by the Treaty on the Final Settlement with Respect to Germany on September 12, 1990 that finally transferred full political sovereignty to the new

German state.[3] Still, while the political process of reunification was formally completed on October 3, 1990, the process of socio-economic integration and reunification was not so easily resolved. The rapid integration of the East German economy into the West German model of the social market economy "combined an extreme economic shock therapy with far-reaching insulation of the population from the consequences—in other words, with an anti-shock policy" (Wiesenthal 2004, 40)—that created unrealistic expectations of the unification process and drastically underestimated the costs of reunification. Pegging the exchange rate between the two currencies at parity led to a rapid appreciation of the East German Mark, jumping almost 400 percent overnight and substantially reducing the relative competitiveness of the East German economy in relation to Western products and services (Wiesenthal 2004, 40-1). In addition, the economic disparity between the two regions led to a high degree of de-industrialisation within the former East Germany and to unemployment levels averaging 20 percent or more throughout the 1990s (Cameron 2001, 17). With the infrastructure costs of integrating the two German socio-economic models peaking at approximately 20 percent of the entire budget, the relationship between the German government and the EU has shifted, reflecting Germany's increasing reluctance to continue being the largest net contributor to the budget of the EU.

Despite the historic congruence between the policy architecture adopted at the supranational level and domestic practices, the strains of reunification have initiated a process of policy divergence. Still, as Jeffery Anderson (2005) notes, the shift has not been a radical reorientation, as "the German position since unification reveals a blend of old and new" (80). First, German foreign policy has maintained its multilateral focus, and the government has continued to be an advocate for continued integration. Beginning with Chancellor Kohl's declaration in 1989 that "reunification and integration into the West ... are like two sides of the same coin," the Kohl government continued to articulate German interests within the context of European integration. In addition, the welfare reforms adopted by the Schröder government closely resembles the broader shift across the EU, as the third section of the chapter elaborates. Advocating an increased role for the market and greater flexibilisation, the German government under Schröder emerged as a member of the transnational historic bloc promoting the ideological compromise of embedded neo-liberalism.

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[3] As the Treaty on the Final Settlement with Respect to Germany was signed by the FRG, the GDR, and the four Allied powers from WW II—France, the UK, the US, and the USSR—it is commonly known as the "Two-Plus-Four" Treaty.

Secondly, the strains of reunification have also led to a growth of intergovernmentalist sentiments within Germany and a desire to use the European Council to limit the authority of the European Commission. For example, the perspective of the German government on the issue of gender mainstreaming encapsulates the new preference for intergovernmentalist solutions. While one German official argues the domestic adoption of these practices has been driven by the European requirement for "national authorities to adopt gender mainstreaming into national action plans and national employment strategies" and the role of the European Employment Strategy [EES] in "bringing [gender] to the national political agenda" (Author's Interview), the German government has resisted the growth of further European competence in this area. This manner, this official contends that

Germany has emerged as one of the strongest proponents for the development of a European Council on Gender, so that "gender issues could be centrally co-ordinated" by the member-states and act as a "counter-point to the Commission in gender issues" (Author's Interview). In addition, the German approach to European integration has become increasingly defined by a cost-benefit calculation that "combines a reiterated commitment to the broader integration project with the application of conditions designed to soften the impact of integration on German interests" (Jeffery and Paterson 2004, 68). Nevertheless, even though the process of reunification has led to a realignment of national interests, the socio-economic costs have still prompted a new openness to initiatives emerging at the European level and within other member-states. Despite historic preference of the German government to refrain from participating within European debates surrounding social policy, the development of the EES did prompt a realignment of domestic practices. While the EES did not have a "direct impact," one German official maintains the focus upon policy sharing and the "exchange of ideas and practices" reshaped the domestic "discourse in a systemic manner," as the "practice of learning from the experiences of other member-states [within social policy] was not really performed before the EES" (Author's Interview). Moreover, another official contends that the welfare reforms introduced by the Schröder government "are strongly influenced by developments in the OECD and the Commission …. [Germany is now] more open to learning from the experiences of other countries and the EES is helping in promoting the learning" (Author's Interview). Still, before examining how the developments at the European level have reinforced a change in domestic practices, the role of German actors in shaping European social policy must first be addressed.

Social Partnership

Due to the emphasis upon maintaining existing mechanisms of socio-economic stratification within the German welfare regime, state-society relations within Germany have traditionally endorsed the practice of corporatism. Initially developed to help "uphold traditional society in the unfolding capitalist economy" (Esping-Andersen 1990, 40), corporatist practices were seen as a means through which the ideological pursuit of capitalism and the shift toward commodification could be managed in order to minimise its destabilising effects. Originally implemented by Chancellor Otto von Bismarck in the late nineteenth century through the negotiation of separate social insurance schemes for different industrial sectors, this practice reinforced existing distinctions within German society and established a strict insider-outsider division of the policy process (Esping-Andersen 1990, 58-61). During the interwar period under the Nazi regime, the corporatist tradition adopted a more authoritarian basis, with the government outlawing trade unions and exercising strict control over the economy; following World War II, the process of corporatist consultation was reintroduced as a core aspect of the social market economy. Moreover, the orientation of corporatist practices under the new socio-economic model was shaped by the post-war preoccupation with power sharing and the economic ideology of ordo-liberalism promoted by the Freiburg School.

As both an economic theory and political ideology, ordo-liberalism is concerned with the monopolistic tendencies of capitalism and suggests that the state has a role to play to ensure competition. Developed in Germany during the 1930s, key aspects of this ideology were adopted by the post-war government and informed the post-war socio-economic model. Embracing the idea of price stability, the post-war system established a strongly independent central bank, constitutionally directed to privilege inflation over employment concerns, in order to promote the norm of economic stability and to stimulate investor confidence (Funk 2000, 20-1). Similarly, the post-war model included a corporatist industrial relations system that mandated both free collective bargaining between capital and labour and substantial consultation with both of these groups in formation of government policy (L. Turner 1997, 4-5). Still, the third component of ordo-liberalism, "the state should be limited but strong" (Funk 2000, 20), was not fully embraced within the post-war model; reflecting the concept of state capitalism articulated by Robert Cox (1996b, 201-204), the German government took an active role in both facilitating broad agreements between capital and labour and exercising a broad management over the market. Alternatively identified as *Modell Deutschland*, the social market economy, or Rhineland capitalism, this model emphasises both market principles through free trade and an expansion of economic integration and social regulation to help militate against the social costs of capitalism (L. Turner 1997, 3-4). In this manner, the practice of corporatism became an integral component of the post-war socio-economic model to ensure that no single component of the German society would be able to exercise dominance over the economy and that the benefits and costs of development were distributed in a more equitable manner.

As indicated in Chapter Four, corporatist arrangements may be divided into two separate categories, social corporatism and liberal corporatism, primarily delineated on the basis of two criteria. First, corporatist arrangements may be distinguished by determining the degree to which negotiations between the participants are defined by antagonism. Toward this end, social corporatist arrangements are constructed with the assumption that there is an inherent antagonism between the two sides of the negotiations, while liberal arrangements are understood to emerge from the "essential commonality of interests between capital and labour" (T. Turner 2002, 279). Secondly, the two models may be separated by the scope of the negotiations. While the former model adopts a holistic understanding of the labour market that encompasses all social groups, the liberal approach reinforces a strong insider-outsider distinction of the labour market by limiting the scope to only those explicit participants (T. Turner 2002, 279).

Due to the influence of the conservative tradition of social stratification that informs the German welfare regime and the ideology of ordo-liberalism pursued in the post-war era, the corporatist arrangements adopted within Germany more closely resembles the ideal-type of liberal corporatism. Both initial corporatist practices and the trilateral negotiations established under the practice of *Konzertierte Aktion* in 1967 were defined by a broad agreement about the core elements of economic development and growth between the participants. Similarly, the introduction of collective bargaining along industrial sectors in the 1950s, as well as the explicit delineation of societal consultation by policy area, reinforced the segmentation of the labour market and the hierarchical stratification of social organisations. Still, the German tradition is considerably more decentralised than other conservative welfare regimes that are more consistent with the ideal-type of liberal corporatism. For example, the Austrian system of corporatist co-operation is legally delineated through hierarchically organised chambers for different sectors of the economy, in which membership is mandatory, and these chambers are explicit participants in formulating policy on a daily basis (Falkner and Laffan 2005, 220). In contrast to the Austrian model, the German system is more reflective of "horizontal or 'covert' co-ordination" (Manow and Seils 2000, 140). While the government does provide a loose management, state involvement has been principally limited to establishing broad standards for behaviour and allowing market regulation to be performed through collective bargaining within industrial sectors. Moreover, following the collapse of the trilateral wage pacts between the government, employers, and trade unions in 1977, industrial relations within Germany have continued a policy tract of decentralisation; as the social partners exert a considerable degree of "collective political strength … with high levels of coordination, and strong collective control over the provision of supply-side public goods" (Wood 2001, 257), they are able to provide a degree of resistance that has forestalled any substantial restructuring or re-regulation.

Often identified as a dual system, industrial relations within Germany consist of two pillars. First, collective bargaining is primarily organised around the mechanisms of social partnership and negotiated at a sector level between the two peak associations of employers and trade unions. While companies cannot be direct members of the peak employer association, as membership within the *Budesvereinigung der Deutschen Arbeitgeberverbände* [Federal Union of German Employers' Associations, or BDA] is determined on the basis of regional or *Länder* associations, it indirectly represents companies that employ 80 percent of German employees at the Federal level. In contrast to the level of representation experienced by the BDA, the representation of workers in the peak negotiations is considerably narrower; even though the DGB collectively represents eight trade unions and over 4.5 million workers, union membership density in Germany is only 35 percent (L. Turner 1997, 4fn). Nevertheless, both basic pay levels and working conditions are still determined within comprehensive negotiations at the sector level and then transposed to most BDA members, despite the lack of direct involvement of most workers within collective bargaining negotiations at the peak level.

Secondly, worker participation and involvement within the industrial relations system is further integrated with the practice of co-determination in individual firms. Focused on ensuring the inclusion of workers within the management decision-making process, this system of representation establishes supervisory boards and work councils that include worker, management, and shareholder representatives (Conradt 2005, 150). In the post-war era, the practice of co-determination was first implemented within the coal, iron, and steel industry with the *Montanmitbestimmungsgesetz* [Coal, Iron and Steel Industry Co-determination Act] in 1951. Institutionalising parity co-determination within these industries, in which "the supervisory board consists of an equal number of employee and shareholder representatives, plus one additional member who is elected by the shareholders' meeting on the proposal of the majority of both groups on the supervisory board" (European Industrial Relations Observatory 1998), the *Montanmitbestimmungsgesetz* allows workers to provide input into the management process. In 1952, the *Betriebsverfassungsgesetz* [Works Constitution Act] was passed, which created work councils within other sectors; however, this second act only covered firms with 501-1999 employees, and only allowed for workers' representatives to hold a maximum of one-third of the seats on the works council. Intended to help restore industrial relationship harmony as the trilateral wage agreements were failing, the 1976 *Mitbestimmungsgesetz* [Co-determination Act] extended representation to companies with over 2000 employees, stipulating that they have to create supervisory boards with proportional representation between workers and management. Still, the *Mitbestimmungsgesetz* does not quite reach the same degree of parity representation found within the coal, iron, and steel industry: as the representatives of the shareholders solely elect the chair of the supervisory board, and the chair exercises two votes in the case of a tie, workers are not entirely equal participants. Nevertheless, the practice of co-determination enables workers within a firm, both organised within trade unions and without, to participate within the management decision-making process; within the majority of firms, personnel decisions are often made only after consent from the elected works council has been achieved (L. Turner 1997, 4-5). As a core component of the German industrial system, the practice of co-determination, as well as the firm commitment towards social partnership, has influenced the types of policy mechanisms supported and proposed by German actors within the project of European integration.

The critical involvement of social partners in the socio-economic governance of Germany, as well as the culture of Europeanisation that permeated German society, helped cultivate acceptability among the social partners regarding the use of European institutions to achieve or reinforce domestic policy goals. While the DGB has been the largest member of the European Trade Union Confederation [ETUC] since it initially formed in the 1950s, the DGB began to work through the ETUC much more extensively following the end of trilateral wage pacts in the 1970s in order to pursue and protect their interests (Streek 1991, 321-2). Moreover, the degree to which the DGB promoted their interests at the European level is particularly evident within the area of European social policy. In contrast to the German government, which drew upon the principal of subsidiarity to explicitly oppose the development of a European competence within the realm of social policy, German trade unions were the "main union force behind some of the key developments since the 1950s" (Rhodes 1999, 135-6). Helping to foster a neo-socialist transnational bloc within the EU, which included the Delors Commission and national actors like France under the Mitterrand government, the DGB worked within the ETUC to help promote a more robust vision of social democracy as a counterbalance to the formation of the Single Market in the 1980s. While the ETUC was a contributing partner in a number of proposals in the 1980s and 1990s, the German tradition of industrial relations was a critical factor in shaping two key developments at the European level.

First, the practice of corporatism found within conservative regimes such as Germany informed the creation of the European social dialogue. Initiated by the Commission under the leadership of Jacques Delors, the European social dialogue revolved around an attempt to ensure that trade unions and employers would be consulted in the formulation of policies at the European level. Begun in 1985, when Delors presented his proposal to the European level peak associations in Val Duchesse castle outside Brussels, the process was added to the Single European Act following the agreement of these newly identified European social partners. Moreover, the process itself was further refined through negotiations between the social partners, and the new system was included in the Social Charter at Maastricht—and the subsequent Social Chapter at Amsterdam—with only minor changes from the initial proposal negotiated by the social partners.

The new process, outlined in Articles 138 and 139 of the Treaty on European Union, institutionalises consultation with the social partners and enables them to formulate binding agreements through bipartite social dialogue at the European level. Both articles refer to separate components in the process: Article 138 mandates the Commission to consult with the social partners before "submitting proposals in the social policy field" in order to determine if they wish to negotiate a contractual agreement on the issue between themselves, or allow the Commission to formulate the policy with their input. In addition, Article 139 outlines the two possible outcomes available to the social partners through the formal negotiations: "agreements concluded at Community level [sic] shall be implemented either in accordance with the procedures and practices specific to management and labour and the Member States or, at the joint request of the signatory parties, by a Council decision on a proposal from the Commission." Under the process outlined in Article 139, the social partners have negotiated five agreements, with the first three implemented through European Directives—the parental leave Directive (96/34); the Directive on equal treatment for part-time employees (97/81); and the fixed-term work Directive (99/70)—and the last two adopted as autonomous agreements between the social partners.[4] The Commission suggests that each type of outcome reflects discrete stages of social partnership at the European level; in contrast to the first three Directives, the adoption of the "'autonomous' agreements concluded on telework (2002) and work-related stress (2004)" reflect a new stage, characterised "by the growth in independence and autonomy of European social dialogue" (European Commission 2005c, 3).[5]

Secondly, the German system of industrial relations also shaped the creation of works councils in transnational corporations operating within the EU. The development of this institution began with a Commission proposal in 1980 that would have obliged all "transnational and complex national firms" to consult with their employees on an annual basis, to ensure the continued development of a common market also included "equal information and consultation rights" for all workers within the common market (Falkner 1998, 98). To a large degree, the initial proposal represented an attempt to export the system of industrial relations found within conservative welfare regimes to both the European level and the other member-states. Even though the 1980 proposal was strongly supported by the ETUC, as well as based upon the system of industrial relations found within the majority of member-states, the European Council rejected the proposal, because of the "perceived incompatibility between national practices and ideological objectives" (Falkner 1998, 98). Due to the differences between national practices and the different roles played by social partners in each member-state, the Commission sought to use the emerging European social dialogue mechanism in 1986 to enable the social partners to negotiate the proposal directly. Eventually the European Works Council initiative became the first test case of the new mechanism following the Maastricht revisions. Still, despite strong support from both the ETUC and some fractions of the Union of Industrial and Employer's Confederations of Europe [UNICE], this attempt in 1993 also failed, when British employers prevented UNICE from agreeing to the process (Rhodes 2005, 289). Unable to reach an agreement through the social dialogue mechanism, the European Works Council Directive (94/45) was finally issued through the European Council in 1994. Voluntary in nature, the Directive develops a framework through which companies that operate in more than one member-state may establish a works council, if desired by either the management of the company or by a petition of 100 employees. In addition, the Directive covers both single companies that operate transnationally and a "group of undertakings" through which a dominant company "can exercise a dominant influence over another undertaking ('the controlled undertaking') by virtue, for example, of ownership, financial participation or the rules which govern it" (Directive 94/45, Article 2; Article 3(1). However, not all transnational companies are covered under the framework as the Directive is limited only to companies that employ "at least 1 000 employees within the Member States and at least 150 employees in each of at least two Member States" (Directive 94/45, Article 2(a)). Nevertheless, even though only 35 percent of companies covered by the framework had set up a works council by 2006, the ETUC still estimate that more than 60 percent of European workers are represented by European Works Councils, as the majority of companies that have implemented the program are large transnational corporations (European Trade Union Confederation 2006). The relative success of this mechanism is largely due to the support the proposal received from German social partners; both the DGB and the BDA were strong proponents of the initiative and their support lent considerable credibility to the proposal (Rhodes 1999, 141).

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[4] Directive 96/34 sets out minimum requirements on parental leave for male and female workers, and other related employment protection measures; Directive 97/81 seeks to improve the quality of work for part-time workers, by ensuring that they receive comparable treatment to full-time workers holding open-ended contracts; Directive 99/70 establishes the general principles and minimum provisions relating to workers employed on temporary contacts.

[5] The Teleworking Agreement (2002) revolves around ensuring that "the employment conditions of teleworkers" are equivalent to "workers who carry out their activities at the employer's premises;" the Work-Related Stress Agreement (2004) revolves around identifying the sources of work-related stress among workers, and developing a framework to "prevent or manage problems of work-related stress."

Still, the support provided by the German social partners began to wane in the 1990s as a number of developments shifted the structural basis of power within the project of European integration and prompted a realignment of interests. Just as integration began to shift toward neo-liberalism, with its emphasis on labour market flexibility and market deregulation, the rising levels of structural unemployment in Germany led to a broad debate over national social policies. In an initial attempt to counteract rising levels of unemployment, the government exploited a split within the

DGB and introduced a program of early retirement to remove groups from the labour market and thereby reduce the labour supply and the employment rate; while the metalworkers' union, IG Metall, suggested combating unemployment by shortening the work week, the other five large trade unions supported the government initiative of early retirement (Streek and Hassel 2004, 105). However, the policy of early retirement did not correct the larger socio-economic problems, as it simply placed greater pressure upon the already weakened system of social insurance. As German pensions primarily rely upon employee contributions to remain financially viable, a reduction in the labour force simply created an increased drain on benefits without a comparable increase in contributions. At the same time, the interests of German capital began to shift, as German corporations began to broaden their scope of operation. Becoming more global in orientation, German capital is increasingly rejecting the neo-mercantilist program of fostering 'Euro-champions,' for a more systematic inclusion of European business within global systems of production (van Apeldoorn 2003, 121). Nevertheless, one BDA official contends the constraints posed by the increasing levels of "structural unemployment" and the macroeconomic "costs of unification" are "limiting the ability of German business to pursue an export oriented growth model" (Author's Interview). In an attempt to regain their relative competitiveness within the global political economy, German business is pressuring the government to adopt a comprehensive program of market deregulation that would enable corporations to adopt more flexible production strategies (Ryner and Schulten 2003, 183). As will be seen in the next section, the so-called 'crisis' of the German model of ordo-liberalism and the social market experienced within the 1990s has engendered a shift in the dominant model of socio-economic governance within Germany toward embedded neo-liberalism.

Reforming the German Welfare State

In the late 1990s, both the Kohl (1982-1997) and Schröder (1997-2005) governments launched welfare reform programs focused on increasing the degree of flexibility within the German socio-economic model. Premised on the assumption that the German economy was suffering from a continued decline in its international competitiveness (Streek and Trampusch 2005, 174), these reforms were intended to resolve the perceived 'crisis' of the German welfare state. For these critics, the institutional make-up of the German welfare state was too rigid and thereby unable to respond to the new challenges posed by globalisation. Granted, globalisation does not promote a single, unified challenge to nation-states, as the changes it creates are dynamic and multifaceted, and there is no 'inevitable' policy response to the new environment of "transplanetary relations and supraterritoriality" (Scholte 2005, 60). As demonstrated by Hall and Soskice (2001, 56-60), capitalist states of different varieties may formulate a different policy response to the same structural changes. While liberal states may seek to improve their relative competitiveness by extending market deregulation, regimes that take a more co-ordinated response to the market, such as the German model of ordo-liberalism, may respond by enhancing or deepening existing regulations to support domestic industries. Nevertheless, the perceived validity of the latter set of policy responses have been increasingly marginalised within most member-states during the late-1990s, as European capital became consolidated behind the neo-liberal fraction. Echoing the neo-liberal discourse of competitiveness, the most prevalent understanding of globalisation suggests that economic success is measured by the degree to which the economy enables "flexibility and entrepreneurial/ risk-based behaviour as a means of enabling rapid and radical innovations" (Harding and Paterson 2000, 5). When measured against this benchmark, the BDA contends that the German model is excessively rigid; because of the historical practice of funding social policies through social insurance, one German official contends that the German welfare regime creates "institutional rigidity within the labour market" and "places an upward pressure upon non-wage labour costs" (Author's Interview). Consequently, the welfare reforms implemented by both governments were characterised as an attempt to 'modernise' the German welfare state, and these reforms directly challenged key components of the conservative tradition.

The German model of ordo-liberalism was most effective during the late 1960s, when high levels of economic growth eased the inherent conflicts between competing social groups. Capitalising on a relative level of industrial relations harmony, the Christian Democratic Party/Christian Social Union [CDP/ CSU]—Social Democratic Party [SPD] 'Grand Coalition' adopted the *Konzertierte Aktion* initiative in 1967. Institutionalising a policy of economic management based upon Keynesian theory, the tripartite wage pacts negotiated through *Konzertierte Aktion* were designed to secure trade union support for the Grand Coalition and to provide the template for a national restructuring of co-determination (Timmins 2000, 41).

Nevertheless, the initial enthusiasm for *Konzertierte Aktion* waned following the first oil crisis in 1973, when the quadrupling of oil prices led to a subsequent increase in inflation levels throughout the globe and to greater competition from developing countries. While the practices of "export-oriented industrial modernization" and co-determination served as an attractive alternative to the both the liberal practices of deregulation and the more "state-directed (*dirigiste*) models of adjustment" found within other conservative regimes (Vitols 2006, 398-9), the types of policies adopted within Germany also laid the foundations for the current challenges facing its welfare regime.

First, the emphasis on industrial modernisation through high value production increased the relative cost of industry within Germany. By concentrating on the production of high quality consumer goods, German business invested heavily in skill development of their labour force, enriching both the value and wage costs of German labour. Initially offset by the high levels of consumption in the 1970s, the high costs of production became more problematic during the global recession experienced in the 1980s. Secondly, the practice of social partnership deepened existing levels of social stratification, and strengthened the insider-outsider distinction of the German labour market. Due to the demand for high skilled labour and the tradition of a family wage within German society, trade unions were able to negotiate higher wages and a greater degree of profit sharing than within other economic systems. Still, the increased wages reinforced the existing divisions within German society by acting as a disincentive to expand the labour force; a dramatic increase in wage costs were avoided by a broad commitment between social partners to increase productivity without increasing the number of workers. Finally, those members of society outside the labour force continued to be supported by the conservative welfare regime. With social policies primarily funded through compulsory social insurance, the expansion of the German welfare state in the 1970s to support those members of society outside the labour market was accompanied by a similar increase in non-wage labour costs (Streek and Trampusch 2005, 176). However, once the German economy entered a recession in the 1980s, the delicate balance engendered by these policies began to falter.

As long as the global economy was expanding, such as the boom period of the 1970s, then German businesses were able to maintain a profitable niche by producing high quality goods. The relatively high labour costs were offset by equally high prices, so that the German economy was still able to remain competitive. However, the global recession during the 1980s contracted demand and placed pressure on the German model of high wage and high cost production. As such, German business sought to decrease wage costs in order to counteract this decline, but they were unable to do so on a unilateral basis, due to the strength of co-determination and social partnership within the German system of industrial relations. Working with the newly elected Kohl government, the BDA entered into negotiations with German trade unions over possible solutions; while the metalworkers union, IG Metall, sought to "restore full employment by a reduction of weekly working hours through collective agreement" negotiations, the other five trade unions within the DGB endorsed the government's proposal for using early retirement to counteract rising labour costs (Streek and Hassel 2004, 105). Reflecting the traditional practice found within conservative welfare regimes of achieving full employment by contracting the labour supply, the promotion of early retirement schemes was accompanied by a limited expansion of social policies to reinforce the historical arrangement of a male breadwinner wage model, including the introduction of a parental allowance, child tax credits, and parental leave, as well as an increase in child allowance levels (Leibfried and Obinger 2004, 209).

Still, the expansion of conservative social policies was only partially successful. While the reduction of the labour supply did lower wage costs for German business, enabling them to regain some degree of global competitiveness, the accompanying expansion of social policies increased non-wage labour costs, due to the particular budgetary framework of the German system of social insurance. Even though the German system is ostensibly based upon separate social insurance programs that are principally financed by contributions, the budgets for all four components are loosely integrated and allow the government to perform financial transfers between the different funds (Streek and Trampusch 2005, 176-7).[6] In this manner, the government is able to offset budgetary difficulty within a particular fund by transferring money from one that is more viable without increasing relative levels of contributions; during periods of economic recession, these fiscal manoeuvres enabled the German welfare regime to maintain social benefits for those members of society no longer participating within the labour market. Moreover, when the economy enters into a period of growth, such as the boom experienced in the late

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[6] The four components of the German system of social insurance are pension insurance, unemployment insurance, health insurance, and long-term care insurance.

1980s, then the government is able to expand the budgets for those programs principally funded by contributions enabling benefit levels to remain relatively constant. Amidst the rise in individual payments throughout the 1980s, the Kohl government also sought to consolidate its budget and reduce its subsidy of social policies through reductions in social spending and further cost shifting between the four programs (Manow and Seils 2000, 144-5). At the time, the fiscal balance of the German welfare system was assumed to be stable and secure. However, the strain of unification elucidated the problems associated with funding social policies primarily through equal contributions by employers and employees.

As was noted earlier in the chapter, the gradual timetable that was initially set out for the reunification process was greatly accelerated in 1990, when the virtual collapse of the East German political order prompted direct political integration of the GDR as five new *Länders* within the Federal Republic. In addition, reunification included the rapid integration of the East German economy into the West German model of the Social Market Economy; by imposing the institutions of the West German welfare regime and a market economy onto the former communist system, the East German economy was rapidly transformed. Furthermore, the decision to implement a radical program of economic restructuring, while still insulating the population from the socio-economic costs, placed further strain upon the welfare state; the integration of the two economies substantially increased the relative costs of production within the new *Länders* and led to a large-scale de-industrialisation within the former East Germany (Wiesenthal 2004, 40-1). By extending a welfare regime to the East that included both unemployment insurance and pension benefits designed to maintain living standards for welfare claimants, the increased unemployment within the east was principally offset by state support and the federal social insurance funds (Leibfried and Obinger 2004, 210). However, the budgetary constraints agreed to within the Maastricht criteria limited the ability of the government to expand its contribution to the social insurance funds through fiscal policy. Instead, the government decided to manipulate the budgets for the four programs, to enable revenue from one fund to pay benefits from another, and to use tax increases "to subsidise social budgets through federal grants to the pension and unemployment insurance funds" (Streek and Trampusch 2005, 178). As a result, non-wage labour costs quickly escalated after 1990, rising above 40 percent of gross wage costs in 1996 (Vitols 2006, 403); with non-wage labour costs reaching critical mass, the Kohl government faced increased pressure to reform the German welfare state.

Seeking to enact changes in welfare benefits without suffering electoral defeat, the Kohl government engaged in "retrenchment by stealth" in the mid-1990s, often relying upon external demands and commitments to drive policy reforms (Leibfried and Obinger 2004, 215). For example, the 1997 revisions to the *Arbeitsförderungsgesetz* [Employment Promotion Act], which introduced private competition over employment services, was justified in order to ensure compliance with the expanded understanding of EU legislation regarding the free competition of services. Reflecting the changing assumption within the EU that the default operation of the welfare state is economic activity (Holman and van der Pijl 2003, 77-9), the state provision of employment services was characterised as monopolistic behaviour and subsequently deregulated. Within the new 'market' for employment services, a number of employment and training companies were established in Germany (Birkhölzer and Lorenz 2001, 151). By relying upon these commercial enterprises to place the unemployed into jobs, the Kohl government was able to scale back its own provision of active labour market policies, further reduce its budget, and avoid blame if the market failed to create jobs.

Similarly, the *Rentenreformgesetz* [Pension Reform Act] of 1997 attempted to reduce the welfare budget by introducing two key changes to the pension system. First, the Kohl government sought to stabilise the contribution rate for pensions by redefining the relationship between contributions and benefits through adopting a new guiding principle, identified in German as *einnahmeorientierte Augabenpolitik*. Roughly translated as 'contribution-defined spending,' this tenet reoriented the pension system to be more consistent with market principles (Leibfried and Obinger 2004, 214). In effect, instead of the historical focus upon setting benefits at a level that ensures decommodification, the new emphasis is upon both ensuring that contribution rates do not act as an impediment to the market and using market demands to determine how benefits are allocated. Secondly, the Kohl government also introduced a demographic component into the calculation of pension benefits; taking into account the increase in life expectancy, this component was used to reduce pension levels from 70 percent to 64 percent by 2030 (Streek and Trampusch 2005, 181). However, this reduction in benefits was widely opposed by the German public, and directly contributed to the electoral success of the SPD in the 1998 general election.

Capitalising on the widespread opposition to numerous retrenchment measures implemented by the Kohl government in the mid-1990s, the Schröder government promised to restore benefit levels to pensions. However, when the Red-Green coalition lost the Bundesrat majority in 1999, the so-called 'counter-reformation' pursued by the Schröder government became more limited. Moreover, the ideological orientation of the coalition shifted with the resignation of Oskar Lafontaine as Finance Minister in 1999; in contrast to Schröder's advocacy of *die Neue Mitte* [the new middle, or third way], Lafontaine represented the more socialist wing of the SPD. With Lafontaine's resignation, representatives from the DGB argue that the dominant discourse within the government became focused upon ensuring market competitiveness, and some of the principles introduced by the Kohl government, such as the idea of *einnahmeorientierte Augabenpolitik*, became embraced by the Red-Green coalition as well (Author's Interview). Still, the Schröder government did remove the demographic factor in the pension formula and restored general pension levels to 70 percent with the *Gesetz zu Korrekturen in der Sozialversicherung und zur Sicherung der Arbeitnehmerrechte* [Law to Correct Social Insurance and Guarantee Employees' Rights] in 1998. In order to afford the restoration of benefits, the government created a new category of employment—identified as *Scheinselbstständige* [pseudo-self employed]—and expanded the program of compulsory social insurance to include both this new category and the low wage sector for the first time. In spite of this, Wolfgang Streek and Christine Trampusch (2005) note that the extension did not yield a substantive increase in revenue, as it largely "created new incentives to work in the underground economy" and an increase in undeclared income (181). Initially, Lafontaine offset this budget shortfall with an increase of the ecological tax in 1999, but the coalition government embraced a more "market-liberalising reform agenda" after his resignation (Kitschelt 2004, 137; Author's Interview). The 2001 *Rentenreformgesetz* [Pension Reform Act] once again reduced pension benefits to 67 percent by introducing both an optional private system that allows individuals to supplement their pension benefits and state funded supplements that are means-tested for others (Leibfried and Obinger 2004, 212-3). While Martin Seeleib-Kaiser (2002) accurately identifies these reforms "as a process of re-commodification," he is also correct in his assertion that "this policy approach cannot be accurately characterised as liberal or neo-liberal" (34-5); even though the new pension system does include a greater reliance upon the market and means-tested benefits, individuals are not wholly dependent upon the market. Still, the 2001 reforms have reoriented the role of the state to be principally focused upon supporting sustainable economic growth and promoting market-based solutions to deal with social ills. As such, the current pension system reflects the ideological compromise and trend towards embedded neo-liberalism, and it is one way in which this ideology is being operationalised within the German model.

Similarly, the labour market reforms introduced at this time further reinforced the tendency towards embedded neo-liberalism within Germany. While only minimal negotiations over labour market reforms were attempted during the first term of the Schröder government, the approach taken by Schröder within the *Bündnis für Arbeit* [Alliance for Jobs] framework previewed the types of reforms implemented in his second term. Initially set up in early 1996 by the Kohl government, in response to a proposal from IG Metall, the *Bündnis für Arbeit* was an attempt to revitalise social partnership at the federal level. As a principal component of the initial proposal, trade unions promised "to make wage concessions if employers promised more employment and the government agreed to forgo social policy cuts" (Streek and Hassel 2004, 108). At the time, the social partners were unable to reach an agreement with the government and the negotiations halted; following the 1997 election, the *Bündnis für Arbeit* was reintroduced by the Schröder government. Reflecting both the political project of *die Neue Mitte* and the ideology of embedded neo-liberalism, the *Bündnis für Arbeit* was used by Schröder to consolidate support among the social partners for implementing more market-oriented reforms designed to 'modernise' the German socio-economic model (Ryner 2003, 217). At the same time, one German official argues that "BDA was more successful in promoting their goals" with the negotiations, as the "interests of the BDA and the government were in line with each other" (Author's Interview). Still, the extent to which Schröder and the BDA were able to use the framework to promote labour market reforms was limited, due to strong opposition from both the left wing of the SPD and the DGB. As the *Bündnis fur Arbeit* framework followed the traditional practice of German corporatism, with equal representation by employers and employees, both groups blocked reforms that did not explicitly serve their interests (Streek and Hassel 2004, 114-7). In addition, the Ministry of Labour, a traditional supporter of trade unions within Germany, refused to allow substantive discussions over labour market reform to occur outside of the jurisdiction of the *Bundesanstalf für Arbeit* [Federal Employment Office]. However the most substantive opposition emerged from the Ministry of Finance as

Lafontaine openly boycotted the meetings—and encouraged the trade unions to do the same—thereby ensuring that no significant decisions could be made within the forum.

Schröder capitalised on the 1999 resignation of Lafontaine and the so-called *Bundesanstalf für Arbeit* placement scandal of 2002 to establish a *Kommission Moderne Dienstleistungen am Arbeitsmarkt* [Commission for Modern Services on the Labour Market], charged with determining which policy reforms were needed to modernise the German social model.[7] Identified as the Hartz Commission after its chair, Peter Hartz, the human resources director of Volkswagen, it deviated from the practice of tripartite consultation traditionally pursued in labour market reforms by minimising representation from the social partners (Streek and Trampusch 2005, 235). In contrast to the historical practice of negotiating between two opposing groups, one German official observes the Hartz Commission was both principally populated by social scientists and other "experts on the labour market," and mandated to pragmatically develop a "scientific" solution to improve the relative competitiveness of German business (Author's Interview). In characterising the Commission as experts, Schröder attempted both to de-politicize the subsequent debate over the possible reforms as much as possible and to ensure the smooth implementation of its recommendations. Moreover, Schröder promised to fully implement the recommendations of the Hartz Commission during the 2002 election campaign in order to marginalise any future opposition to the reforms from within the

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[7] In January 2002, the *Bundesrechnungshof* [Federal Audit Court] reported that the *Bundesanstalf für Arbeit* had been falsifying its placement statistics to artificially inflate their activity and success.

SPD or its coalition partners—even though the Commission would not be releasing its findings until after the election. Schröder's strong endorsement and support of the Hartz Commission revolved around the ideological commitment to 'modernising' the German social model shared by both groups and jointly perceived as a precondition to maximising the global competitiveness of the German economy. Reflecting this belief, the main principles of the Hartz Commission revolved around developing reforms that would make the German system of industrial relations more flexible, primarily through the deregulation of the labour market (Dyson 2005, 235). In total, the Hartz Commission recommended 13 modules for reform; while the government had to negotiate some aspects—as the opposition continued to hold the *Bundesrat* after the 2002 election—two-thirds of the recommendations were still adopted. Achim Kemmerling and Oliver Bruttel (2006, 92) suggest that the eight reforms that were adopted may be classified into three 'clusters:'

1. The strengthening of New Public Management ideas in the *Bundesanstalf für Arbeit;*
2. A reduction in benefits for long-term unemployed, by restricting unemployment insurance to only individuals unemployed for less than six months, and transferring all others to means-tested social assistance; and

3. A series of proposals designed at activating the labour supply through 'making work pay' initiatives and take-up requirements regarding job offers.[8]

Substantially reshaping German labour market policies, the various changes were successful in adapting neo-liberal market reforms to the historical constraints of the conservative welfare regime.

Conclusion

In the late 1990s, a number of competing ideologies fought to influence the future direction of state policy in Germany. Representing a more conservative or neo-mercantilist approach, the Christian Democrats initially attempted to maintain the core foundations of the welfare state. A central component of their agenda revolved around the belief that the continuation of welfare benefits was a matter of social justice: the practice of social insurance, in which benefits are proportional to both contributions and earned income, allows for a degree of social solidarity without distorting existing socio-economic stratification (van Kerbergen 1995, 74-5). As such, the Kohl government continued a policy tract of fiscal reallocation and balancing that intertwined the budgets of the four components of the social insurance system and only introduced retrenchment measures as the structural basis of support for the government began to shift. Commenting on this shift of support, one German official argues that business groups, reflecting the changing focus of German capital to transnational operations, are now advocating for policies that focus on enhancing the "global competitiveness of the German economy" (Author's Interview). In response to these new demands, the Kohl government began to deregulate the labour market and scale back welfare benefits in order to reduce non-wage labour costs (Ryner 2003, 211-2). While the reforms did satisfy those advocating for greater market deregulation and flexibility within the labour market, the reduction of benefits still alienated a substantial portion of the German public. In the face of this opposition, an alternative worldview was presented by the SPD in the 1997 election that promised to restore benefits cut by the Kohl government. However, the Schröder government was not united in their ideological orientation; while some elements of the SPD expressed the more traditional social democratic critique of the German welfare state, an increasingly influential fraction began to embrace the ideological compromise of embedded neo-liberalism.

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[8] Much like the discourse on competitiveness, the phrase 'making work pay' is also contested by different ideological projects. While social democratic groups use this phrase to refer to an expansion of union membership and increasing minimum wage levels and benefits, the neo-liberal position focuses on implementing a tax scheme that reduces the tax burden upon low-income earners. Due to the emphasis upon establishing preferential tax treatment for individuals who become newly self-employed and wage subsidies for small and medium companies that hire unemployed people, the recommendations from the Hartz Commission largely reflect the neo-liberal position.

During the 1990s, the discourse on competitiveness emerged as a comprehensive concept of control that was able to unite different fractions of the capitalist class within the EU. Initially, debate over competitiveness was broad enough that alternative definitions were developed by competing ideological projects, but the resulting political struggle has seen the concept increasingly defined in neo-liberal terms (van Apeldoorn 2006, 331). In addition, the success of this particular definition is partially explained by the way the neo-liberal fraction portrayed their critics; by characterising their position as modern, scientific, and necessary, alternative views were depicted as backward, partisan, and outdated. At the EU level, the debate centred on the question of the so-called European social model and the perceived need to modernise it in order to ensure Europe's economic competitiveness in the global economy (Fitoussi and Schioppa 2005, 210). Similarly, the critique emerging from the fraction led by Schröder also revolved around the need to modernise the German model in order to regain its competitiveness (Streek and Trampusch 2005, 189-90). Reflecting the rising influence of transnational capital and the ideology of neo-liberalism, one German official contends the policies proposed to modernise existing models of socio-economic governance revolve around "market liberalisation, flexible labour markets, and minimal state regulations" (Author's Interview). Still, the policies being implemented are not purely neo-liberal, as the ideas are adapted in order to be compatible with the political and economic traditions of each policy regime. As well, the flow of these ideas are not unidirectional; the key actors within Germany are actively promoting this ideological synthesis, ranging from Schröder's proposal for *die Neue Mitte*, the increasingly transnational focus by the members of the BDA, and the continuing emphasis on modernising the German model expressed by the new government, a new CDP/ CSU-SPD 'Grand Coalition' led by CDP/ CSU Chancellor Angela Merkel. Due to the support for this compromise of embedded neo-liberalism from German social forces, the model has continued to be entrenched within the domestic governance structures.

CHAPTER SIX

INSTITUTIONALISING A NEO-LIBERAL CONSENSUS IN THE EUROPEAN UNION

The findings reached in the previous two chapters clearly demonstrate that national debates over socio-economic governance occur within the wider context of European integration. For example, Chapter Four detailed how developments in European social policy and the practice of social partnership helped construct an ideological consensus between competing social forces in Ireland. Similarly, Chapter Five demonstrated how the reciprocal relationship between German and European policy networks has engendered a shift towards neo-liberalism in both jurisdictions. Following these separate discussions, this chapter acts to synthesise the debates from the previous chapters by exploring the manner to which a hegemonic order has been established in the EU and the process through which the dominant policy discourses within the project of European integration are increasingly shifting toward embedded neo-liberalism.

As noted in Chapter Two, the project of European integration must be understood within the context of globalisation and the restructuring of the global political economy that has been occurring since the 1970s. However, a distinction must be made between the processes of globalisation, principally defined as the accelerated growth of transplanetary and supraterritorial connections between people

(Scholte 2005, 61),[1] and the competing hegemonic projects that have been promoted by different social forces, such as neo-liberalism. Despite the significant influence of neo-liberalism in defining how globalisation has unfolded, this relationship is neither inevitable nor inherent. Nevertheless, the social transformations engendered by the processes of globalisation promote, and are promoted by, a "discourse of governance that stresses the efficiency, welfare and freedom of the market and the actualisation of self through the processes of consumption" (Gill 2003, 119). Characterised by a substantial expansion in both the type and the scope of social relations identified as commodities, as well as the new structural conditions of transnational accumulation and production, the new social relations of production position social forces that are transnationally oriented as more important and influential, particularly within debates over socio-economic governance. Global in nature, these structural changes have penetrated the negotiations surrounding the project of European integration, as different social forces seek to establish a hegemonic order that promotes their particular image of Europe.

Following Robert Cox and Antonio Gramsci, hegemony must be understood as a system of rule that creates a condition of consent as well as coercion. Unlike more orthodox approaches of hegemony, such as neo-realism, which limits hegemony to superior material capability, a neo-Gramscian understanding also includes an ideological component in order to understand the consensual basis of domination

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[1] According to Jan Aart Scholte (2005), "transplanetary ('across the planet') relations refers to social links between people located at points anywhere on earth" (61) and "'supraterritorial' relations are social connections that substantially transcend territorial geography" (61).

(Cox 1996d, 102-4). The need for hegemony to foster the development of acquiescence throughout a society is informed by the inherent differences between social classes; the particularity of any given class impacts upon its ability to establish a hegemonic order that both serves its interests and is accepted by the other components of society. By using different institutions within society to shape and define the consciousness of the public through transmitting values, life-styles, cultural orientations, and behaviours, the ruling class is able to present its particular interest as the general interest of the society (Cox 1996c, 126-7). To the extent that these cultural beliefs are internalised by the majority within society and accepted as 'common sense,' the ruling class is able to secure its hegemonic position by establishing a historic bloc (Bieler and Morton 2001, 20). Accordingly, a historic bloc is engendered by the development of a broad consensus between different class fractions within a social class by a dominant group seeking to establish a hegemonic project.

Still, hegemony cannot be reduced to simply a single dimension and is exercised through three interrelated forces. The first force, material capabilities, revolves around the "productive and destructive potentials" through which material power may be exercised both to reproduce the mode of production and to enforce compliance (Cox 1996d, 98). Secondly, ideas encompass both the intersubjective meanings required for system maintenance and continuation and the collective images of social order promoted by competing social forces. Thirdly, institutions act to normalise relations within society by mediating between different interests and facilitating the development of acquiescence. In addition, institutions serve to support and perpetuate not only the distribution of material capabilities but also the collective image of social order advocated by dominant social forces (Cox 1996d, 99). These three forces come together in particular configurations across three levels of human activity to create a historical bloc: the particular visions of world order promoted by competing social forces; the particular configurations of state/ society complexes that give rise to different forms of state; and, the social relations of production and the competing social forces that are engendered by the production process as the most important collective actors. Moreover, "the relationship among the three levels is not … simply unilinear" or causal (Cox 1996d, 101), but related in a reciprocal manner that positively reinforces each other to create a hegemonic order. As such, historical analysis must focus upon all three levels to determine the extent to which a hegemonic order has been established, as well as the particular content of that order. By recognising all three facets of hegemony, this broader understanding enables a more accurate examination of how power is used within society to create a system of rule based upon both material and ideational power.

This chapter takes up the theoretical framework of critical political economy outlined Chapter Two to explore the extent to which a hegemonic order has been entrenched within the European Union [EU]. The first section examines the ability of transnational capital to promote its particular vision of European integration through ideational power. Through the use of four interrelated policy discourses to frame the debate over the harmonisation of social policy in the last ten years, neo-liberal social forces were able to promote a conception of competitiveness that reinforced its hegemonic project. Secondly, the chapter then analyses how transnational capital sought to construct an institutional structure that would serve to further promote and reinforce its hegemonic project. Seeking to establish a state form at the EU level that privileges transnational production, neo-liberal social forces attempted to reconfigure the European state/ society complex so that their interests might be further institutionalised in the EU debate over social policies. Following this discussion, the third section details the competing social forces attempting to shape the social purpose of European integration. By focusing on how the changing structure of production is realigning the interests of different class fractions, this section demonstrates how class struggle shapes and defines the debate over socio-economic governance in the EU. Finally, the chapter concludes by examining the inherent limitations of the neo-socialist project and investigating the extent to which a hegemonic order has been established in the EU.

Framing the Discourse of Competitiveness

In order to examine the extent to which the social purpose of European integration has been redefined, the role of ideas in shaping the structure of socio-economic governance must be addressed. Drawing upon the concept of superstructure developed by Gramsci, and refined by Cox (1996d), ideas play a central role in shifting a system of governance principally defined by coercion into one supported by consent and acquiescence, in which "the power basis of the structure tends to recede into the background of consciousness" (99). In this manner, ideas serve a meditating role between different components in society, smoothing over conflicts, and enhancing the perceived legitimacy of dominant social forces. Through the realisation of a hegemonic order, the dominant class may use ideational power to fortify its position within society and militate against opposition forces. While opposition forces may use the same process to promote an alternative world order that challenges an existing hegemonic order, the ability of one class to shape the dominant discourse within society reflects the hegemonic position of that particular class.

The principal barrier to the creation of a hegemonic order is the particular focus and scope of each individual class: at a basic level the ideological focus of each class is upon the promotion of its particular interest. As noted by Cox (1996d), this particularity reflects the division of ideas into two principal components, intersubjective meanings and collective images of social order: "whereas intersubjective meanings are broadly common throughout a particular historical structure and constitute the common ground of social discourse (and conflict), collective images may" differ between competing social forces within a society (99). In order to facilitate the formation of a hegemonic order, these collective images—reflecting the particular interest of any given class—must be renegotiated and reinterpreted as a general interest for the entire system. In effect, the collective image of social order promoted by the dominant class must be understood within the wider society as an intersubjective meaning.

Following the consolidation of capital into a single hegemonic project under the dominance of the neo-liberal fraction, this newly transnational class has been relatively successful in positioning its understanding of competitiveness as a filter through which any further harmonisation of social policy must be debated. To a large degree, this repositioning was accomplished through the introduction of flexibility as a defining concept to frame both the perceived challenges posed by globalisation and the 'best practices' that need to be adopted in order to meet those challenges. Drawing upon the "spectre of 'global competition'" (Scholte 2005, 302), the understanding of globalisation promoted by agents of this emerging transnational class is premised upon the ability of transnational corporations to relocate their operations to the areas of lowest cost. Indeed, this sentiment is clearly expressed by one official from the Union of Industrial and Employers' Confederations of Europe [UNICE], who threatened "business will continue to leave the EU due to an insufficient level of global competitiveness" (Author's Interview). By fostering this discourse of fear, transnational capital maintains the EU must restructure its economy to remain competitive and attractive to transnational business.

In a gradual manner, transnational capital has been relatively successful at defining competitiveness as the ability to attract foreign direct investment and promote growth through exports. Initially, the definition of competitiveness was considerably more contested, but the neo-liberal perspective is increasingly emerging as the dominant discourse. For example, the Delors White Paper sought to create an ideological compromise between a number of competing discourses in the early-1990s by advocating for a 'competitive advantage' approach that is "based on more qualitative factors and can thus be influenced, to a large degree, by corporate strategies and by public policies" (European Commission 1994b, 71). In particular, this strategy emphasised the competitive advantage of the European tradition of social dialogue, and other consensus-based governing mechanisms, in mobilising the workforce to offset the relatively high labour costs through productivity gains (European Commission 1994b, 76-7). However, the compromise envisioned within this document became marginalised within European policy discourses, as the neo-liberal fraction of capital made significant inroads in promoting its narrower concept of competition in the late-1990s (van Apeldoorn 2003, 127-30). Through the use of four interrelated policy discourses to frame the debate over the harmonisation of social policy, neo-liberal social forces were able to promote a conception of competitiveness that reinforced its hegemonic project.

The first policy discourse revolves around the assertions that the European social model is unsustainable without further economic growth and that further economic growth will not occur unless the European economy is made more flexible. Even though the aspirational language of the Lisbon Strategy made these assertions more implicit initially, the strategic goal of becoming "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" served to frame the subsequent policy debate by focusing it upon defining competitiveness (European Council 2000, 2). Acting as organic intellectuals for transnational capital, both the Employment Taskforce and the High Level Group effectively controlled the policy debate on how to achieve the Lisbon Strategy by promoting a conception of competitiveness that emphasised "flexibility and entrepreneurial/ risk-based behaviour as a means of enabling rapid and radical innovations" (Harding and

Paterson 2000, 5).[2] In a consistent manner, both groups seek to promote flexibility as a 'best practice' that must be adopted in order for any growth to occur. For example, the Employment Taskforce (2003) argues that the goals of "higher employment and productivity, competitiveness, better wages and working conditions directly depend on the ability of enterprises and workers to innovate and adapt to change" (19), and that "better responsiveness of EU economies to change requires a high degree of flexibility in the labour market" (27). Moreover, the High Level Group (2004) makes the relationship between economic growth, the Lisbon strategy, and the European social model even more explicit:

> even if every target were to be hit on schedule, Europe would not be on safe ground. Competitor countries and regions are moving on as well, threatening Europe's position in the global economic league table. Europe must find its place in a global economy, which will nonetheless enable it to uphold its own distinctive choices about the social model that it rightly wants to retain … the objective of Lisbon is to uphold this [social model] in an environment where the challenges are multiple and growing. (11)

In effect, the objective of these assessments is to create a condition of fear that could be used to stimulate support for the neo-liberal hegemonic project. Attempting to respond to emerging counter-hegemonic discourses that sought to establish alternative understandings of competitiveness, the neo-liberal response was to narrow the scope of viable alternatives by maintaining that enhancing the flexibility of European business was not just an alternative, but the *only* alternative if Europe "wished to protect its particular social model and continue to offer its citizens opportunity, jobs and quality of life" (High Level Group 2004, 8). In addition, the High Level Group (2004) reinforces its argument by proclaiming European

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[2] The Employment Taskforce (April 2003-November 2003) was established by the European Council to provide "an independent in-depth examination of key employment-related policy challenges and to identify practical reform measures that can have the most direct and immediate impact on the ability of Member States to implement the revised European Employment Strategy and to achieve its objectives and targets" (European Council 2003b, 20); the High Level Group on the Lisbon Strategy (April 2004-November 2004) was established by the European Council to carry out an 'independent' review of the Lisbon Strategy, running parallel to the review performed by the Commission, but under the auspices of the European Council. Wim Kok, the former Prime Minister of the Netherlands, chaired both the Employment Taskforce and the High Level Group.

> values are expressed in systems of welfare, public institutions and regulation that are expensive in a world where low cost and highly efficient producers are challenging the old order. If Europe cannot adapt, cannot modernise its systems and cannot increase its growth and employment fast enough then it will be impossible to sustain these choices. (15-6)

Reflecting the relative success of this discourse of fear, the European Council (2006) has begun to embrace this 'argument of necessity,' concluding that "for the European social model to be sustainable, Europe needs to step up its efforts to create more economic growth, a higher level of employment and productivity while strengthening social inclusion and social protection in line with the objectives provided for in the Social Agenda" (23).

The second discourse focuses on 'productivity growth' and seeks to shift the reference point used to gauge the relative competitiveness of the European economies towards the United States, in an attempt to define both the best practices and the benchmarking indicators used to evaluate success in neo-liberal terms. As a component of the discourse of fear, neo-liberal social forces have presented an understanding of globalisation in which "Europe faces a twin challenge from Asia and the US" (High Level Group 2004, 12). By framing the challenge in this manner, the High Level Group (2004) presents a scenario in which there are only two possible futures for Europe: either the EU must "develop its own area of specialisms, excellence and comparative advantage [through] … a commitment to the knowledge economy in its widest sense" or the EU will be forced to compete directly with the low cost economies of India and China (12). Still, this so-called choice is largely made for rhetorical effect, as the latter scenario is equated with a process of competitive deregulation that threatens to further erode the European social model. In other words, the second discourse seeks to establish the US as the sole benchmark for defining productivity, growth and competitiveness—Europe must become more like the US because it cannot compete with Asia and maintain its desired social model. As a result, one European official contends most "reforms have been constructed in comparison with the US" (Author's Interview), and focus upon the productivity of European business. In this manner, "productivity growth" emerges as a key performance indicator to measure Europe's relative competitiveness, which leads the High Level Group (2004) to conclude that "Europe's economy, bluntly, is growing less quickly than the US and has suffered recently from a lower rate of productivity growth …. [T]his adverse trend in the growth rate of output per head has been accompanied by a reversal in Europe's productivity catch-up with the US" (14). To a large degree, the proposed solution for addressing this imbalance revolves around enhancing the entrepreneurial environment of the EU.

The third discourse attempts to create a 'culture of entrepreneurialism,' by advocating for the 'modernisation' of the regulation regime throughout Europe to allow for a more flexible environment for business. In particular, neo-liberals call upon the EU to embrace the American tradition of 'arm's-length regulation,' in which "the role of 'regulators' by definition was not to intervene in order to produce particular outcomes, but rather to establish and enforce general rules for a particular sector, industry or service—to produce a 'level playing field' for market actors" (Cerny, Menz, and Soederberg 2005, 17). As well, neo-liberals point to the rapid growth experienced by Ireland as evidence that 'pro-market' regulation needs to be adopted as a best practice; as noted by one Irish official, Irish success stemmed from a model

> of non-involvement and centred on individual initiative—a 'Can-Do' mentality that prefers to not place limitations on what employees are able to do in the workplace and seeks to reward innovation. However, in countries such as Germany, they are more focused on state involvement to ensure that employees and citizens are protected from abuse: a 'Rule-Based' mentality that seeks to dictate limitations on the scope and nature of employee activities and punishes abuse … if the [other member-states] wish to replicate the success of Ireland, they must scale back their government to make it more effective and efficient. (Author's Interview)

Reflecting this perspective, two of the initial four pillars of the European Employment Strategy [EES] focused upon developing a 'pro-market' regulatory environment: the Entrepreneurship Pillar sought to "reduce and simplify the administrative and tax burdens" on businesses in order to enable job creation and the Adaptability Pillar sought to promote more flexible "forms of work" to enable firms to "adapt to structural change in the economy" more effectively (European Council 1997). Similarly, the Lisbon Strategy concluded, in a clear reference to this concept of 'pro-market' regulation, that "the competitiveness and dynamism of businesses are directly dependent on a regulatory climate conducive to investment, innovation, and entrepreneurship. Further efforts are required to lower the costs of doing business and remove unnecessary red tape" (European Council 2000). Despite the inclusion of these ideas within both the EES and the Lisbon Strategy, both the Employment Taskforce and the High Level Group maintained the EU insufficiently embraced these ideals. Towards this end, the Employment Taskforce (2003) continued to promote the idea that "the capacity of newly established businesses to grow is key to job creation" (20) and the belief that "to maximise job creation, the cost of labour—including wages, taxes and other related costs for the employers—must remain employment-friendly" (19). In addition, the High Level Group (2004) goes on to proclaim: "Europe is not 'entrepreneur-minded' enough. It is not attractive enough as a place in which to do business … removing this obstacle calls for less regulation, but even more importantly better and smarter regulation. A balance must be struck between regulation and competition" (28). Within this discourse, government intervention within the economy becomes understood as "unnecessary bureaucratic burdens [that] hinder entrepreneurial dynamism and pose a significant barrier to a more innovative and knowledge-intensive economy" (European Council 2006, 21). By framing the debate over competitiveness through the filter of 'pro-market' regulation, the need to establish a 'culture of entrepreneurialism' becomes understood as a necessary precondition to success in the global economy.

Finally, the fourth discourse revolves around promoting a particular understanding of both the relationship between paid employment and social cohesion and the condition of unemployment. First, this discourse privileges paid employment as the sole mechanism to achieve social integration and cohesion (Walters 2000, 128-

30). Through assertions like "the best safeguard against social exclusion is a job" (European Council 2000), this discourse effectively frames the debate over the desired objective of social policies to be solely focused on job creation. While this focus is not inherently neo-liberal, as the social democratic welfare system also emphasises social integration through employment, William Walters (2000) contends that there is a fundamental difference within the new debate: according to the neo-liberal discourse, "*we are all potential workers*" and "re-integration into the labour market is held up as the optimal outcome for *all* adults" (129, emphasis original). In effect, this perspective conceptualises job creation and paid employment as the panacea for all socio-economic ills and de-values other forms of activity. Explicitly rejecting de-commodification measures as a viable objective of social policy, the Employment Taskforce (2003) calls upon member states to "work towards the removal of obstacles to temporary work agencies … [and] obstacles to part-time work" (9) in order to meet the "needs of particular groups such as women re-entering the labour market or immigrants" in an efficient and effective manner (38). As well, by arguing for the implementation of policies directed at overcoming "the disincentive for unemployed people to move from unemployment benefits to employment" (Employment Taskforce 2003, 33), the focus of this discourse on the so-called unemployment trap is similarly designed to reinforce the dependency of individuals upon the market. Secondly, this discourse seeks to redefine the causes of unemployment away from "a structural function of the capitalist economy" and toward "a personal defect of the unemployed" (Overbeek 2003a, 27). By emphasising personal employability, one European NGO contends that the focus is placed upon the "responsibilities of people facing poverty and exclusion" to ensure that they embrace flexibility in their work organisation and continually work to upgrade their skills (Author's Interview). In this way, the focus of social policies is placed upon ensuring workers are able to "cope with new ways of working and changes in their working status and be prepared for lifelong learning" (Employment Taskforce 2003, 18), rather than adhering to the traditional agenda of the welfare state, such as social solidarity and de-commodification. As such, this discourse seeks to create a new 'best practice' for social policies: the state should act as "a 'gateway' or a 'pathway' back into society for people who are 'trapped'" (Walters 2000, 128). By positioning state action as simply facilitating the ability of the socially 'excluded' to take up employment 'opportunities' through active labour market policies, this discourse seeks to shape both how a particular understanding of security is promoted and how the emerging concept of flexicurity is defined. While these concepts are still being contested, neo-liberal organic intellectuals are putting forward an understanding in which "security does not just mean employment protection, but encompasses the capacity to remain and progress in work" (Employment Taskforce 2003, 9), and "flexicurity is about moving away from a job preservation mindset into a job creation mindset to reduce to a minimum the periods of unemployment" (De Buck 2007, 1).

Collectively, these four discourses act to effectively frame the debate over socio-economic governance within the EU in neo-liberal terms. By drawing upon "largely implicit, but no less definite, common programs, or *comprehensive concepts of control*," transnational capital has been able to translate its

> idealized class and fractional viewpoints into strategic orientation for society as a whole. Their capacity to be presented as a necessary and/ or legitimate expression of the general interest derives from their basis in pivotal positions in the economy, which at particular junctures in the process of capital accumulation and social development acquire a relevance beyond this mere 'function.' (van der Pijl, 1989, 7-8, emphasis original)

In a gradual manner, the reference point used to gauge the relative competitiveness of the European economies has shifted to emphasise market freedom, flexibility, and a 'culture of entrepreneurialism.' Similarly, these discourses are beginning to promote social policies that attempt to subordinate concerns of de-commodification and social solidarity "to the demands of labour market flexibility and employability and to the demands of structural or systemic competitiveness" (Jessop 2003, 39). By embedding the debate over socio-economic governance within both the "cultural pattern" of neo-liberalism (van der Pijl 1989, 31) and the "ethos of contractualism" (Walters and Haahr 2005, 121-24), the language and idiom practiced by the four discourses are successfully reshaping the policy debate in a way that neutralises political discourse and allows for the promotion of particular worldviews under the guise of ideologically neutral 'best practices.' Still, in order to avoid explanatory determinism, the role of the superstructure and ideational power in creating a historic bloc should not be overemphasised. While ideas are clearly important, they must be understood in relation to both the material structure and the social relations of production (Bieler 2006, 37). Moreover, both material and ideational power reinforce each other in a reciprocal manner; as noted by Gramsci (1999), it is the combination of both that create a

> *historic bloc* in which precisely material forces are the content and ideologies are the form, though this distinction between form and content has purely didactic value, since the material forces would be inconceivable historically without form and the ideologies would be individual fancies without the material forces. (377, emphasis original)

In the next section, the role of material power is examined more directly with an analysis of the institutional structures established to support the emerging hegemonic order.

(Re)orienting the Structural Selectivity of the EU Form of State

The focus upon forms of state as an analytical category seeks to conceptualise how the social relations of production are articulated through the administrative apparatus of governance and how different governance structures may act to promote and maintain a particular hegemonic project. In this manner, the state is understood as "a structure within which and through which social forces operate rather than as an actor in its own right" (Bieler and Morton 2001, 18). Still, one must avoid simplifying the state to merely an instrument used by capital to reinforce hegemony. As noted by Cox (1996d), even though "institutions reflect the power relations prevailing at their point of origin and tend, at least initially, to encourage collective images consistent with these power relations … hegemony cannot, however, be reduced to an institutional dimension" (99-100). In contrast, a broad understanding of the state must be adopted that that embraces the concept of the "integral state" proposed by Gramsci (Bieler and Morton 2001, 18-19): both "civil society" and "political society" must be included within this analytical category as separate levels that "correspond on the one hand to the function of 'hegemony' which the dominant group exercises throughout society and on the other hand to that of 'direct domination' or command through the state and 'juridical' government" (Gramsci 1999, 12). Accordingly, analysis must "consider distinctive *forms of state* … [and] the configuration of social forces upon which state power ultimately rests" (Cox 1987, 105, emphasis original). By conceptualising the state as encompassing both levels, and focusing upon the relationship between political and civil society, the state/ society complex may be located within a historic structure without adopting an overly instrumentalist understanding of the state and its institutions. Similarly, this focus also enables the analysis of institutional arrangements like the EU that are clearly not states in the traditional sense but still posses "state-like features" that intersect both political and civil society (Bieler 2006, 41).

Just as socio-economic governance at the EU level has grown more robust as integration has deepened in the 1990s, the influence of capital within European policy discourses, as well as the strategies pursued by the neo-liberal fraction, has begun to echo the relationship between capital and the state in the promotion of a national system of capitalist accumulation. Within a national system, the institutions of the state act to organise a hegemonic order by mediating between different social forces and enforcing any resulting compromise. In order to maintain the acquiescence of those social forces that are not members of the dominant historic bloc, the state apparatus exercises a degree of relative autonomy from the hegemonic fraction in promoting a unity among competing social forces, even if that unity results from the adoption of policies that contradict the short-term interests of the dominant classes

(Mahon 1977, 168-71; Jessop 1990, 207-9). Consequently, the state is a social relationship through which different groups all have their interests represented as part of the development of a broad compromise in how the national system is governed. Nevertheless, the representation between the different social forces within the state apparatus is not equal, as "the function of the state system is assured by the *dominance* of certain apparatus or branches over others: and the branch or apparatus which is dominant is generally that one which constitutes the seat of power of the hegemonic class or fraction" (Poulantzas 1973, 48, emphasis original). In particular, the state is "a site of strategic selectivity" (Jessop 1990, 193), in which certain strategies and actors are privileged over others. As the social relations of production are transformed, the seat of power becomes reoriented to reflect the long-term interests of the dominant social forces. Concurrent with the deepening of globalisation and European integration, the seat of power within national systems has become "concentrated in those agencies in closest touch with the global economy—the offices of presidents and prime ministers, treasuries, and central banks" (Cox 1996a, 302). To a large degree, this shift represents the increasingly transnational structure of production and the manner in which transnational class fractions no longer "confront the state as an external actor, but are closely involved in the class struggle over the state project at the national level" (Bieler 2006, 40). Still, recognising the influence of transnational actors within merely the national context only partially captures the emerging structures of governance within the EU.

Following the resurgence of European integration in the late 1980s, both the supranational institutional structure has become more robust and the role of European policies has become more influential in national systems of governance. While some policy areas remain firmly intergovernmental, such as the Common Security and Foreign Policy, the governance of socio-economic issues have begun to mimic the relationship found between central and regional governments in a federal system. As EU governance in these areas demonstrates a form of nascent federalism, which includes multiple points of intersection between the state apparatus and civil society at both the EU and national levels, analysis must incorporate the changing state form at the EU level. For example, as established in Chapter Three, the operation of employment policy is increasingly conceptualised as a matter of joint concern between the member-states and the EU; even though the labour market remains a competency of the member-states, both the adoption of the Employment Chapter in the Treaty framework and the development of the Employment Committee [EMCO] creates a new system of governance that moves beyond a purely national form of state. In this way, the increased co-ordination of employment policies and labour market practices that have been promoted through the EMCO have reinforced and extended the global trend towards the "internationalisation of the state" identified by Cox (1996d, 107-9). Through the institutionalised process of peer review, the EMCO acts to ensure that the particular policies enacted within any given member-state are contextualised though the experiences and needs of the entire EU. In other words, the process of peer review further entrenches the "'Europeanisation' of the unemployment question" and further normalises the idea that correct arena to discuss the labour market is at the EU level (Walters 2000, 115-20). Nevertheless, these pressures are more than simply external constraints upon the autonomy of the member-states. Reflecting both the new transnational mode of social relations of production and the increasing influence of transnational class fractions in defining the social purpose of European integration, the form of state emerging within the EU is similarly transnational. As such, analysis must focus on locating the seat of power within the transnational system of governance over social policy.

To a large degree, the form of state adopted at the EU level acts to promote and extend the neo-liberal hegemonic project. Following the success of neo-liberal social forces in consolidating the other fractions of European capital around its hegemonic project, this emerging transnational class was able to shape the evolution of both the European Single Market and the European Economic and Monetary Union (van Apeldoorn 2006, 309-11). Acting to entrench an institutional arrangement based upon the ideology of 'disciplinary neo-liberalism,' these social forces constructed a framework that enforced a policy commitment to low inflation, fiscal discipline, and the free movement of goods and services (Gill 2001, 47-8). Despite the relative success of transnational capital to dominate most areas of socio-economic governance following the resurgence of European integration in the late 1980s, they were initially unable directly to influence the debate over the co-ordination over social policy. Principally driven by an attempt to construct a neo-socialist policy space within European integration, the institutions set up to co-ordinate social policy among the member-states, such as the EES, were less responsive to the neo-liberal project of market-based competition. Nevertheless, the goal of constructing a counter-hegemonic project revolving around the European social model was tempered by the diversity of welfare traditions within Europe due to the need for a new state form at the EU level that was more flexible than the traditional Community method. Toward this end, the open method of co-ordination [OMC] was developed as a means through which the principles of de-commodification and social solidarity could be promoted within the EU, while still allowing for national difference in implementation.

The OMC is used most extensively in policy areas, such as social policy, in which the same general problem is experienced by all member-states, but manifested differently. Because of the different national traditions of socio-economic governance practiced by the member-states, it is generally believed that it is not possible to shift the competency over the labour market to the EU through formal integration and binding legislation. For example, one European official concludes it would be "unreasonable" (Author's Interview), and another proclaims it "unfeasible" (Author's Interview) to formally integrate employment policies under the Community method. Similarly, a third European official suggests the "barriers between member-states are too great" to shift competency up to the EU (Author's Interview). Moreover, a number of Irish policy-makers agree there is "too much variation between the member-states in their approaches to the labour market" (Author's Interview). As another Irish official notes, the co-ordination of European employment policies "cannot and should not" move beyond the "strategic level," due to the "different productive structures, economic and cultural realities" (Author's Interview). Furthermore, German actors assert that even though there is a need for "more co-ordination of social policy" at the Community level, "competency should remain at the national level" (Author's Interview). Echoing this sentiment, another German official maintains that a reassertion of the "subsidiarity principle" and "more diversity for different regions" is necessary because Europe does not have a "unified labour market" (Author's Interview). Importantly, this sentiment was echoed by actors from competing social forces; advocates of a neo-socialist project suspect that shifting competency upwards to the European Community "will be attempted, but that it will not be successful … [and] it might be sucked up by the Economic and Financial Affairs Council" (Author's Interview), while neo-liberals contend that employment policy "cannot be scaled up beyond co-ordination, [due to the] diversity of national economies" (Author's Interview). As such, employment policy is still understood as a matter of national competence, even though the inclusion of the Employment Chapter within the Amsterdam amendments declares it a matter of joint concern for the EU and compels the member-states to co-ordinate and harmonise their behaviour (Author's Interview; see also Scharpf 1999, 158-9).

In order to enable co-ordination to occur in absence of formal integration, the OMC was introduced as a 'new' mode of governance with the EES that allows for national variation while still implying "that solutions are to be developed in a European framework, drawing upon experiences and knowledges of other EU member states and their representatives, or of European institutions such as the Commission" (Walters and Haahr 2005, 131). Moreover, the OMC is largely assumed to be an objective process that "relies on the systematic comparison of national policies, with 'best practices' identified to facilitate 'benchmarking', whereby national policies are periodically measured to see how close they come to matching the success of the most successful member state" (Stubb, Wallace, and Peterson 2003, 143). In this way, Commission officials promote this process as "harmonisation through policy learning" and as "the pragmatic development of solutions" (Author's Interview). Indeed, a number of commentators have heralded the OMC as a new form of governance that replaces ideology for "the real experience and policies of the member-states, [so] even trade unions are beginning to look to 'best practices' as a pragmatic and professional solution" (Deppe, Felder, and Tidow 2003, 192), as if trade unions represent some benchmark of political intractability. While the OMC has been adopted in number policy areas, the process is most formalised for the co-ordination of employment policy.

With co-ordination principally performed within the institutional framework of the EMCO—a forum that European officials generally describe as "technical and technocratic" (Author's Interview)—the discussions are limited to the identification of 'best practices' in labour market policies and the development of indicators to assist the benchmarking process. The EMCO was set up in 2000 under the auspices of Article 130 of the Treaty establishing the European Community and it is designed to "promote coordination between Member States on employment and labour market policies" and "to monitor the employment situation and employment policies in the Member States and the Community" (Art 130). The membership of this advisory committee consists of two representatives from every member-state, two representatives from the Commission, and includes two sub-committees, the Ad Hoc Working Group and the Indicators Group. From 1997-2000, the Employment and Labour Market Committee [ELMC] performed similar duties to the EMCO, but with a broader scope of discussions; as one Irish official notes, the ELMC often acted as the "catalyst for processing and supporting the European Council in its decisions" regarding employment policy and the early debates often encompassed broader questions surrounding the content of the employment guidelines (Author's Interview). However, the broader debates were curtailed when the EMCO was established. One Irish official suggests the change was strongly influenced by pressure exerted "by the UK to limit the debate within the EMCO" to merely the implementation of the policies, and not the content of the guidelines, so that the discussions are now constrained to solely a debate over best practices and benchmarking (Author's Interview). To a large degree, this limited role is reflected in the changing composition of the committee; as the EES has evolved, member-states have begun to send representatives of decreasing rank to participate in the process. By sending bureaucrats and experts, the discussions within the EMCO become essentially limited to the most 'effective' means of implementing the objectives formulated by the European Council.

Nevertheless, the assumed pragmatism that is promoted by the OMC and the benchmarking process still reflects a particular power dynamic. As noted by William Walters and Jens Henrik Haahr (2005), "the world of partnership frameworks, benchmarking, league tables, best practice standards, and performance contracts is one that subtly constrains and shapes us, enjoining us to exercise our freedoms and liberties in particular ways, and towards particular ends" (119). In effect, the act of benchmarking—and, by extension, the entire OMC process—creates the illusion of agency; while the rejection of the traditional Community method suggests the adoption of a decentralised policy model that allows for national variation, benchmarking still enables a gradual policy convergence. Moreover, the convergence is occurring in a way that neutralises political discourse and allows for the promotion of particular worldviews under the guise of 'ideologically neutral' best practices. Rather than engaging in a debate over which socio-economic model is most appropriate for all member-states, the OMC allows competing social forces to effectively side-step this debate by proclaiming its focus on "a 'new' problem-solving logic based on deliberation and 'policy learning'" (Rhodes 2005, 292). In effect, the perceived focus on pragmatic problem-solving allows dominant social forces to reposition their particular image of social order as an intersubjective meaning by framing the focus of debate and establishing the criteria upon which success is judged.

In conjunction with framing the debate over social policy through the OMC, neo-liberal social forces have been successful in implementing a number of institutional reforms that serve to reorient the structural selectivity of the state form governing social policy in the EU. Economic policy making, with which social policy decisions are increasingly tied, operates within both intergovernmental structures like the European Council and supranational institutions like the Commission. Still, the nature of representation within these organs and branches is not equal, so that "the dominant classes and fractions which belong to the power bloc are likely to have a more 'positive' role—able to negotiate concessions which enhance the ability of those the represent to perform their leading roles in the economic and social spheres" (Mahon 1977, 170-1). Within this context, the seat of power within the EU system of governance is found within the areas of economics and finance, both within the European Council and within the "hard core" of the

Commission: the Directorate-Generals for Competition, Economic and Financial Affairs, Internal Market, and Trade (Bieler 2006, 179-80). However, the diversity of the Commission also enables a number of points of access for subordinate social forces. Towards this end, the Commission is able to operate with a high degree of relative autonomy and different Directorate-Generals, such as Employment and Social Affairs, are able to implement policies and programs that may contradict the interests of the dominant classes. In response, neo-liberal actors have attempted to minimise the relative autonomy of the Commission and to curtail the ability of competing social forces to use the Commission to exert counter-hegemonic pressure. As part of this attempt to reorient the structural selectivity of the Commission, the governments of France, Germany, and the UK began to call for the appointment of a Vice-President of the Commission "to focus exclusively on economic reform" in February 2004 (Chirac, Schröder, and Blair 2004).

Under the guise of maximising efficiency, the proposed consolidation attempted to reinforce the dominance of the 'hard core' of the Commission over the Directorate-General Employment and Social Affairs in all matters of socio-economic governance within the EU. In particular, one European official notes that the proposed Vice-President of Economic Reform would have brought "competitiveness to the forefront" of the agenda within the EU by linking the policy development for social and economic issues at the European level so that the two policy areas "could not be divorced" at the implementation stage (Author's Interview). Similarly, another European official contends that the proposal for a "super-commissioner" would privilege economic and finance branches "within the policy process and exclude other components, such as the European Parliament and [other branches] of the Commission," which are more receptive to alternative policy issues (Author's Interview). Even though the proposal for a Vice-President for Economic Reform was rejected at the time, it resurfaced in a modified form within the José Manuel Barroso Commission as a Vice-President for Enterprise and Industry, Günter Verheugen, whose focus is explicitly on ensuring that the EU is able to meet its "the competitiveness challenge" (Verheugen 2007). While the new portfolio does not include the areas of labour market reform or employment policy that were part of the super-commissioner proposed by France, Germany, and the UK, this position still signifies a considerable shift in priorities by the Commission. With competitiveness increasingly defined in neo-liberal terms, the centrality of competition for the Barroso Commission both reflects and promotes the increasing influence of transnational capital.

Finally, the strategic selectivity of the EU toward a neo-liberal form of state became reinforced in 2005, when the 2005 Spring European Council formally adopted a 'streamlined' reporting and monitoring procedure to 're-launch the Lisbon Strategy' and co-ordinate activities to enhance the competitiveness of the EU. In this manner, the European Council (2005) decided to shift towards developing

> a set of 'integrated guidelines' consisting of two elements: broad economic policy guidelines (BEPGs) and employment guidelines (EGs). As a general instrument for coordinating economic policies, the BEPGs should continue to embrace the whole range of macroeconomic and microeconomic policies, as well as employment policy insofar as this interacts with those policies; the BEPGs will ensure general economic consistency between the three strands of the strategy. (11)

In effect, these integrated guidelines reorient the co-ordination of employment policy within the EU so that it is formally "subordinated to the objective of price stability and, therefore, concentrated on supply-side measures such as lifelong learning and labour market deregulation" (Bieler 2006, 179). The effort to co-ordinate employment policy at the EU level became reinterpreted through the neo-liberal discourse on competitiveness; "European employment policy was made to fit the existing integration project … [and] became one of the pillars of supply-side-oriented neo-liberal restructuring" (Tidow 2003, 78). By shifting towards this system of integrated guidelines, this process limits the ability of subordinate social forces to effectively influence the governance of socio-economic issues and strengthens the emerging hegemonic order within the EU.

Fracturing Transnational Labour

Within capitalism, any discussion of hegemony must be grounded with an understanding of production, due to the reciprocal relationship between the productive process and power. To reflect this relationship, production must be understood as broadly as possible. Rather than simply focusing on the organisation of economic behaviour, analysis must be cognisant of the manner in which "production generates the capacity to exercise power, but power determines the manner in which production takes place" (Cox 1987, 1). In this manner, the focus of this study is upon the social relations of production, which includes three interrelated dimensions: "the power relations governing production, the technical and human organization of the production process, and the distributive consequences" (Cox 1987, 17). By examining the particular configuration of these three dimensions—collectively identified as separate modes of social relations of production—analysis can determine how different modes act to promote and reinforce a hegemonic order in material, ideational, and institutional ways. Different modes create the conditions for different social forces to emerge as the most important collective actors within any given system and shape both the internal organisation of these groups and the external relationships pursued by these groups.

In 1987, Cox identified 12 ideal-typical modes of social relations of production, and maintained that these models are non-exclusive, so that multiple modes may exist within same system even if one mode is dominant.[3] In addition, as the structure of production changes within a system, different social forces emerge as the dominant actors that are able to exert greater power and influence within the system. Because of the non-causal relationship between the separate aspects of a hegemonic order, it is important to remember that the particular mode of social relations of production cannot be separated both from class struggle and from the particular organisation of social forces that emerge from that mode. While this statement is slightly tautological, Cox (1987) reminds us

> when one first begins to study a mode of social relations of production, it is discovered in an existing society. The classes in that society are historical realities produced by collective experiences. They originated in production in

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[3] The 12 modes of social relations of productions introduced by Cox (1987) are: subsistence, peasant-lord, primitive labour market, household, self-employment, enterprise labour market, bipartism, enterprise corporatism, tripartism, state corporatism, communal, and central planning (32).

> previous history but transcended the specific activity of production to become human aggregates, collective ways of feeling and acting. (18)

To this end, recognition of this reciprocal relationship does not prevent us from identifying how different modes shape and define social forces in different ways. As the social relations of production engender social forces—just as social forces also shape those same relations—the examination of different modes enables analysis to determine how and why particular social forces are able to emerge into a position of hegemonic dominance.

The hegemonic project of neo-liberalism, and its associated mode of social relations of production, acts both to promote class formation on the part of dominant social forces and to hinder class formation by subordinate groups. In this way, groups opposing the extension of neo-liberalism remain fractured, and the divisions between subordinate social forces are reinforced throughout the EU in both ideational and institutional means. To understand how this fracturing is reinforced within the EU, a brief discussion of how social forces are engendered by the production process is necessary. In particular, social forces must be understood through the filter of class struggle and "the analysis of opposed class fractions around exploitation and resistance to it in concrete historical situations" (Bieler 2006, 31-2). Reflecting the broad understanding of production outlined above, class must also be understood as "a group of people who share a common relationship to the process of social production and reproduction and are constituted relationally on the basis of social power struggles" (Robinson quoted in Bieler 2006, 32). Toward this end, all subordinate social forces represent a class-in-itself, collectively identified as transnational labour due to their similar class position within the social relations of production. Still, it must be emphasised that while the identity and interests of individuals are *shaped* by their placement within the social relations of production, their identity and interests are *not solely determined* by their placement. In this way, any given class created by the social relations of production "may exist as a class-in-itself due to the way production is organised, while it has not yet developed a class-consciousness in struggle and, thus, become a class-for-itself" (Bieler 2006, 35). As such, actual social forces are not cleanly divided into the two oppositional groups of capital and labour, and the social relations of production give rise to multiple fractions that seek to shape and define both the principal ideology of their class and the overarching discourse of society (Overbeek 2000, 173-4). Nevertheless, the divisions between the separate fractions within a class must be overcome before the creation of a historic bloc and the entrenchment of a hegemonic order. In effect, the development of a historic bloc requires that the different fractional components be "reconstituted as a single … class under the hegemony of one of these perspectives" through "a process in which the particularity of fractional positions has to be suspended and elevated to the level of the general interest" (van der Pijl 1989, 15).

As outlined in the previous chapters on Ireland and Germany, capital has been more successful than labour in consolidating the separate fractions within a single hegemonic project within the context of European integration. During the mid- to late-1980s, European capital was fragmented between two rival projects—neo-mercantilism and neo-liberalism—that sought to influence the manner in which the Single European Act was implemented and the degree to which the common market became integrated within the broader global political economy. Initially, the neo-mercantilist fraction, representing more regionally oriented capital, dominated the debate and advocated for the common market to promote trade division through government intervention to enhance the relative competitiveness of European champions (van Apeldoorn 2003, 125). In contrast, the neo-liberal fraction, consisting primarily of 'globally-oriented' European capital, desired the common market to involve a more radical program of economic liberalisation that firmly embedded the European market within the global political economy (van Apeldoorn 2001, 74). Due to the deepening of globalisation in the early 1990s, in which the strategic orientation of the majority of European business was re-oriented toward the global market, the relative influence of the neo-liberal fraction began to dominate the emerging transnational capitalist class. As a component of this process of class formation, forums like the European Round Table of Industrialists enabled the antagonisms between the different fractions to ease into "a rather unstable compromise" during the Maastricht negotiations that ultimately transformed "into a new synthesis reflecting the dominance of the neo-liberal perspective" (van Apeldoorn 2001, 80). This convergence substantially increased the relative influence of European capital; by presenting a unified front while its opposition remained fractured, capital was able to shape the social purpose of European integration as it deepened in the 1990s. In this manner, transnational capital was able to ensure that the institutional framework of the European Economic and Monetary Union enforced a policy commitment to low inflation, fiscal discipline, and the free movement of goods and services (Gill 2001 47-8). Similarly, the continued influence of this transnational class has also permeated into negotiations regarding the harmonisation of social policy. By demanding that social policy must support the broad goals of economic efficiency and market competitiveness, capital has been able to privilege the policy goal of flexibility until it has come to equal, or even surpass, the notion of solidarity within social policy discussions at the EU level. To a large degree, this successful consolidation explains the ability of neo-liberal social forces to institutionalise a policy regime within the EU that more closely resembles their ideological position.

In contrast, the mode of social relations of production accompanying the neo-liberal hegemonic project within the EU hinders the development of transnational labour as a class-for-itself. The perceived particularities of the different subordinate social forces operating within the EU are presented as insurmountable barriers in both institutional and ideational means. In particular, economic based actors, such as trade unions and employer associations, are accorded a more privileged position than other elements of civil society. Toward this end, the designation of 'social partner' at the European level is reserved officially for only three organisations—the European Trade Union Congress [ETUC], the UNICE, and the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest [CEEP]—while every other group is simply identified as a civil society organisation.[4] Due to this institutionalised separation, one European official notes that the perception exists that socio-economic governance within the EU is very "business oriented, with only employers and trade unions as active participants," and other non-governmental organisations [NGOs] only included "as observers and not participants" (Author's Interview). In this way, a division is created between established trade unions that participate within corporatist arrangements and other elements of labour, such as radical trade unions and social movements, that are treated as distinct social forces.

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[4] While only the ETUC and the UNICE are involved with the Tripartite Social Summit, the European Commission (2007a) identifies five categories of social partner organisations: general cross-industry organisations, cross-industry organisations representing certain categories of workers or undertakings, specific organisations, under which only Eurochambres (The Association of European Chambers of Commerce and Industry) is listed, sectoral organisations representing employers, and

The division between subordinate social forces is principally evident through the two separate mechanisms used to consult with non-governmental actors within debates over the harmonisation of social policy within the EU. First, the so-called civil dialogue is the mechanism through which civil society groups are consulted in European policy debates. To a large degree, this process is not embedded within the treaty framework, but expressed as a broad commitment to consult with all relevant parties in the formation of European policy. In particular, the Commission set out a new consultation process in the 2001 *White Paper on European Governance* that called for a more systematic process of engagement with civil society groups as a fundamental aspect of the policy process (European Commission 2001, [illegible]7). Focusing upon both 'targeted' and 'open' consultation, the civil dialogue centres upon engaging with groups that have "direct interest" in the policy—either directly

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European trade union organisations. In contrast, the dominant definition of civil society organisations adopted within the EU is provided by the Economic and Social Committee (1999) "in abstract terms as *the sum of all organisational structures whose members have objectives and responsibilities that are of general interest and who also act as mediators between the public authorities and citizens*" (7, emphasis original).

affected or involved in the implementation stage—but is still open to "contributions from interested parties organised at [the] European level" (European Commission 2002a, 19-20). As such, an official from the European Economic and Social Committee argues that the civil dialogue "is not part of the decision-*making* process, but more part of the decision-*shaping* process. It is consensus oriented and focuses on transmitting national economic and social interests to the European level and then linking the ideas back to the national level to be put into practice" (Author's Interview). Still, even this limited impact through civil dialogue has decreased as the consultative process became streamlined within the Lisbon Strategy. Following the decision reached at the Barcelona European Council (2002b) to align the formation of the Employment Guidelines with the Broad Economic Policy Guidelines, the new timeline for consultations through the civil dialogue became compressed. Commenting on the compressed timeline, one European official maintains that it is now "too short to fully formulate an opinion" on the guidelines as they are being developed (Author's Interview). Similarly, another European official notes that this compression has resulted in the widespread complaint among civil society groups that their input is not "taken into account," as the consultations seem to have little impact on the final content of the guidelines (Author's Interview).

In contrast to civil dialogue, the second mechanism is explicitly engaged with the decision-making process at the European level. Demonstrating elements of both bipartism and tripartism, the social dialogue institutionalises the involvement of trade unions and employers, exclusively identified as social partners, within the formulation of policies at the European level. Unlike the practice of civil dialogue, the Treaty framework explicitly mandates consultation with the social partners, and the social partners themselves may formulate binding agreements through bipartite negotiations at the European level. In particular, Article 138 of the Treaty on European Union requires the Commission to consult with the social partners before "submitting proposals in the social policy field," and Article 139 enables the social partners to adopt autonomous agreements between themselves and the member-states without involving the institutions of the EU. In addition, the European social dialogue includes a Tripartite Social Summit every spring that consists of the

> Council Presidency and the two subsequent Presidencies, the Commission and the social partners, represented at the highest level … [to] enable the social partners at European level to contribute, in the context of their social dialogue, to the various components of the integrated economic and social strategy, including the sustainable development dimension as launched at the Lisbon European Council. (European Council 2003a, 2)

In addition, social partners still continue to participate with the social consolations through the civil dialogue. As such, social partners are accorded a more privileged position within the EU policy process than other civil society groups. By being explicitly involved with the development of European policy, the social dialogue grants "employers' organizations and trade unions an enhanced voice, and therefore influence, over issues and developments of common concern arising from the single market program" (Marginson and Sisson 2006, 38). Moreover, the enhanced voice for social partners was further alluded to by one European official, who states that even though "the separation between the two processes were tricky, as the social partners—depending on the areas to be dealt with—may still be included within both processes, the social dialogue is able to set law, while the civil dialogue is broader and merely consultative" (Author's Interview). In this way, the civil dialogue emerges as a subordinate process to the practice of social dialogue.

As a consequence of the distinction between targeted and open consultation in the civil dialogue and the institutionalised consultation embedded within the social dialogue, trade unions and employers are accorded a privileged position within debates over socio-economic governance within the EU. Due to the demand to consult with only NGOs that have a 'direct interest' in the policy outcome, policy makers are able to be selective in who they include within the consultation process. In other words, the groups that are consulted vary depending upon the policy issue and the perceived relevance of different groups toward each issue. One key example is found within the different groups involved in debates surrounding social inclusion and employment at the EU level. One European NGO contends civil society groups are only "recognised as social partners within social inclusion issues, but not within employment policy" and, within the broader debates over socio-economic governance, NGOs remain "'outsiders.' While they are able to make submissions, they are not recognised as a formal or equal partner" (Author's Interview). Toward this end, another European NGO maintains there were "two tiers of social partners—employers and employees on one side and civil society groups on the other" (Author's Interview). Indeed, both European social partners share this sentiment. For example, one UNICE official notes it was "important to have NGOs involved, but they are not homogenous organisations … while civil society organisations have a role to play, social partners are representative organisations that can commit their members and have a different role, focus, capability, and autonomy" then other NGOs (Author's Interview). Similarly, one ETUC official emphasises

> the roles for each group are different and you cannot ask civil society to deliver on anything or implement any policy outcomes … social dialogue is the autonomous relationship between employers and trade unions organisations which can lead to negotiations, collective bargaining, and law-making by the social partners, and civil dialogue is social consultation between social partners, civil society and government at all levels. (Author's Interview)

Nevertheless, while the institutional difference in treatment between social partners and other NGOs is important, the principle conceptual barrier to transnational class formation is driven by a normative belief in the privileged placement of explicitly 'economic based' groups, such as employers and trade unions, within debates over social policy. Granted, considerable cultural and linguistic differences also separate social forces from different member-states and welfare traditions, and these do pose a significant barrier to transnational co-operation and class formation. Nevertheless, the conceptual division between 'economic based' groups and other social forces is the primary concern of this study, as it is a socially constructed barrier that serves to further fragment oppositional groups and prevent transnational labour from consolidating into a coherent historic bloc.

When asked to comment on this distinction between 'economic based' groups and other social forces, one European NGO argues that there were three reasons for the exclusion of other civil society groups. First, the official notes it is "not in the historical practice to mix employment policy and inclusion issues … inclusion has been historically viewed as 'charity business.' Secondly, even if NGOs are consulted, they have not always been ready and/ or capable to deal within employment issues" (Author's Interview). The official goes on to note that this reinforces the perception that NGOs should not participate within the broader debates over socio-economic governance and "may mean that no NGOs are dealing with employment issues and that the division between social partners and NGOs is further strengthened. Third, some trade unions block other NGOs from participating in order to avoid diluting their influence" (Author's Interview). While European NGOs emphasise "there is no feeling that the ETUC is attempting to block and/ or exclude them from the policy process" as the two groups do "undertake joint projects and co-ordinated lobbying within Brussels, the ETUC does not control or influence its national members and the positive relationship [at the European level] is not necessarily replicated at the national levels" (Author's Interview). However, this sentiment of co-operation was tempered by ETUC officials who maintain "the division between three levels—ETUC and UNICE, non-affiliate unions and businesses, and then other NGOs—is appropriate" (Author's Interview). While trade unions are open to "co-operation with NGOs," one ETUC official stresses the two groups are "not the same and there has to be a distinction as the roles are different" between trade unions and NGOs (Author's Interview). Similarly, another ETUC official is even blunter in stating "the ETUC does not wish to be lumped in as just another NGO or interest group … participation in the social dialogue is a zero-sum game and UNICE and ETUC does not want the role of NGOs to be expanded … the ETUC is the principal organisation" (Author's Interview).

To a large degree, the privileged placement of explicitly 'economic based' groups, such as employers and trade unions, within debates over social policy results from the particular type of corporatism that has been institutionalised at the European level. As noted in Chapter Four, there are two dominant models of corporatism: social corporatism and competitive, or liberal, corporatism. In the former model, predominantly found within social democratic regimes, negotiations are marked by a high degree of social solidarity and inclusiveness, and trade unions also act on behalf of those groups that are not directly present at the negotiating table (T. Turner 2002, 279). Moreover, social pacts agreed to under this model tend to emphasis social security regimes directed towards equalitarian outcomes and social solidarity. In contrast, liberal, or competitive, corporatism is a much more exclusive process that is marked by a significant division between the participants and those outside the negotiations. By fostering a sense of commonality of interest among the participants, outcomes are focused upon distributing the benefits primarily to insiders, so that "this type of corporatism tends to result in the preservation of existing disparities in wealth and life chances" (T. Turner 2002, 279).

As outlined in Chapter Five, the form of corporatism developed within the EU was strongly influenced by the German system of industrial relations. Due to the institutional division between the civil dialogue and the social dialogue, as well as the privileged position trade unions and employers are accorded within debates over socio-economic governance, this form of corporatism reflects the competitive corporatist model. In particular, this mode both enables transnational capital to consolidate into a class-for-itself and prevents transnational labour from doing the same. In this way, participation within debates over socio-economic governance within the EU becomes understood by established trade unions as "a zero-sum game" so that trade union officials fear diluting their own influence if social dialogue is extended to other civil society organisations (Author's Interview). As such, when established trade unions do co-operate with other fractions of transnational labour, like social movements and radical trade unions, they seek to control the conditions under which co-operation occurs (Bieler 2006, 213-217). Due to the strict division between insiders and outsiders institutionalised by competitive corporatism, subordinate social forces within the EU are increasingly unable to reconstitute themselves as a single transnational class-for-itself. Even the limited project of neo-socialism is unable to present a coherent alternative to neo-liberalism, as the fractional particularities of transnational labour impede the ability of oppositional groups to consolidate within a coherent historic bloc.

Conclusion

Through contestation and conflict, a number of competing social forces are attempting to shape the social purpose of European integration. Operating on a variety of policy tracts at the same time, these different groups seek to (re)define the direction of both European and national initiatives and legislation. As integration has deepened, the orientation of these different social forces has become more transnational. Creating alliances that span multiple member-states, key fractions have begun to emerge and dominate the ideological orientation of these newly realised transnational social forces. Still, the relative coherence of these different groups varies. For example, capital has been able to foster a coherent position toward the project of European integration, increasingly driven by the neo-liberal fraction, and is able to operate as transnational class. In contrast, the new transnational mode of social relations of production acts to fracture transnational labour in institutional and ideational means. While established trade unions, working with key allies in "(centre-) left governments, members of the European Parliament, [and] high civil servants in the European Commission" (Pochet 2005, 2), have attempted to challenge the entrenchment of neo-liberalism with the EU through political project of neo-socialism, they have been unable to develop a coherent alternative that serves to consolidate the various subordinate social forces into a counter-hegemonic project.

In contrast to the relatively coherent project articulated by transnational capital and proponents of the liberal welfare regime, transnational labour is more disjointed. For example, one official from the ETUC recognises that "a big section of influential policy-making opinion in the EU is pushing towards the [liberal] model … but trade unions support the EES because it is seen as one element in an overall policy network that is pulling the EU in an opposite direction" (Author's Interview). Still, the official observes there is disagreement between the trade unions on how to define the "opposite direction;" for some components, the focus should be more social democratic in order "to make a process of technological and organisation change in the workplace acceptable in social terms … [but] the trade union movement as a whole is rather more ambiguous … with sections of opinion that are more protectionist" and advocate a more neo-mercantilist position (Author's Interview).

As well, one European NGO official observes a number of civil society groups challenge the "'everyone back to work'" assumption forward by both the neo-liberal and neo-socialist projects (Author's Interview). Acknowledging that employment growth is necessary, these NGOs maintain "it is not sufficient to guarantee inclusion … [and] a more multi-dimensional approach to poverty" is needed that focuses on de-commodification (Author's Interview). Due to the variety of socio-economic visions converging in the debate over European social policy, the present restructuring reflects the idea of "organic crisis" presented by Gill in which "prevailing ideas, institutions and material capacities that constitute historical structures of world order" are redefined (Gill 2003, 118).

Still, the neo-socialist project initially attempted to construct an ideological compromise between competing social forces through the *White Paper on Growth, Competitiveness, Employment*, which they hoped would create a counter-hegemonic challenge to the neo-liberal project. First, this compromise advocated for a corporatist approach that resembled the German system of industrial relations and included both public and private strategies to help foster a consensus between employers and employees. Acknowledging that labour costs in Europe are relatively high, the White Paper maintained that the basis of Europe's competitive advantage in the global economy rests in its ability to achieve a "social consensus" through the European tradition of social dialogue, in which "high labour costs can be compensated for by high productivity" (European Commission 1994b, 74). Secondly, this emphasis upon social consensus was also reinforced with the call for enhancing four key types of solidarity—gender, generational, regional, and 'neighbourly'—throughout Europe and the assertion that "nothing short of co-ordinated action by the various players responsible for the components of these systems can effect the necessary transformation" (European Commission 1994b, 16). Finally, the White Paper recommended the adoption of active and preventative social policies that focused on 'social reinsertion' into the labour market and employment, rather than residual payments or social protection. By stressing job creation and the expansion of the employment rate as a high priority (European Commission 1994b, 145-6), this vision of the European social model was strongly influenced by the social democratic welfare tradition.

However, in moving from the recommendations of the Commission to the implementation of European practices, the need to ensure the model includes sufficient breadth to encompass the differences in national welfare traditions limits the ability of this project to act as a counterpoint to the growing power of transnational capital. Associating their neo-liberal hegemonic project with the liberal welfare regime, due to the similar emphasis on market freedom, dominant social forces participated in negotiations over the harmonisation of social policy in the EU by emphasising the minimalist nature of the liberal social model and seeking to curtail the development of more active measures and positive integration. In this manner, these social forces have been relatively successful in reinterpreting the neo-socialist hegemonic project of institutionalising the European social model by ensuring that EU social policy is primarily focused on maximising the relative competitiveness of the European economy. Reflecting both the rise of 'competitiveness' as a key comprehensive concept of control, and the manner in which this discourse is increasingly framed in neo-liberal terms, the debate surrounding social policy was co-opted by neo-liberal organic intellectuals and reoriented to help facilitate the entrenchment of their hegemonic project.

CHAPTER SEVEN

CONCLUSION

During his opening address at a 2007 intergovernmental conference on the future of the European social model, Joaquín Almunia, the European Commissioner for Economic and Monetary Affairs, proclaimed that

> Steps must be taken to improve the competitiveness of the economy by modernising the public administration, improving the functioning of the labour market and promoting more competition and innovation …. [T]here is no question here of undermining the foundations of the Economic and Social Model in Europe. The issue at stake is not which model we prefer, but rather how efficient that model might be for delivering growth, jobs and equality of opportunity to citizens, taking into account the new challenges and the rapid changes that we are facing …. Ultimately, new challenges mean that we can only secure our highly valued social systems for future generations through change. The biggest threat to our models will be our own inability to reform. (6)

Through this declaration, Almunia demonstrates how the debate over social policy within the European Union [EU] has been narrowed to focus upon questions of efficiency, competition, and innovation. By relying upon a discourse of fear that asserts that European social systems must be modernised in order to continue, neo-liberal social forces have been able define the boundaries of social policy. However, the findings of this study challenge Almunia's assumption that reform of the European social model is necessary and inevitable. My research shows that the acceptance of this perspective stems from the entrenchment of a hegemonic order defined by the ideals and principles of embedded neo-liberalism.

This concluding chapter summarises the core arguments made in this study, evaluates the broader implications of the findings, and discusses possible areas of future research. It comprises four parts. First, this chapter reviews the two central research questions addressed by this study and highlights the central conclusions from the previous chapters. Secondly, this chapter examines the use of federalism as a conceptual tool to analyse transnational actors and suggests how this tool may be tested by expanding research into other jurisdictions. Thirdly, the chapter looks at the barriers between different fractions of transnational labour and how the present mode of social relations of production characterises the divisions between subordinate social forces as insurmountable barriers. Finally, the chapter concludes by examining the limited ability of reform-based movements, such as neo-socialism, to effectively challenge neo-liberal hegemony.

Political Economy of Harmonisation

This dissertation examined two interrelated research questions. To answer the first research question, what has caused the social policy environment created at the European level to develop in a manner that is more conducive to neo-liberal policies, this study presented three interrelated arguments. First, it showed how capital has been more successful than labour in negotiating between its fractional particularities and consolidating into a transnational class. Secondly, this investigation established that neo-socialist actors were not able to define the content or the focus of European social policy, even though they were successful in institutionalising the idea of the

European social model. Thirdly, the findings of this project detailed how neo-liberal organic intellectuals were able to define the content of the European social model by shaping the benchmarking indicators and best practice standards used to evaluate the social policies adopted by the member-states. Moreover, to answer the second question, what impact has this environment had on the welfare policies of the member states, looking specifically at the experiences of Ireland and Germany, this study presented an additional three interrelated arguments. First, it was shown how the success of the neo-socialist project to institutionalise support for a European social policy has eroded the capacity of member-states to pursue fully autonomous social policies. Secondly, this project demonstrated how the success of transnational capital to shape the social purpose of European integration and the European social model has reinforced the entrenchment of neo-liberal hegemony domestically. Finally, this dissertation concluded that the variation in welfare traditions among the member-states means that there will not be a single response to this shift towards neo-liberalism and that different ideological compromises have been reached within the different welfare traditions.

The first chapter identified the research questions, the key arguments, and the methodology adopted in this study. In addition, the chapter contextualised the research project by providing two areas of prerequisite information—the three separate ideal-types of welfare regimes and a brief historical overview of how social policy has been integrated in the EU—needed to understand the state of the existing literature and introduced the use of federalism as a conceptual framework to analyse transnational governance and actors. Finally, Chapter One outlined how the empirical research for this study consisted of a thorough analysis of primarily documents, an extensive survey of secondary sources, and confidential interviews conducted with representatives from the major stakeholders in the formation of social policy within the EU, Ireland, and Germany.

The second chapter used neo-Gramscian theory to develop the theoretical framework adopted in this study and demonstrated that the two dominant approaches for examining European integration, supranationalism and intergovernmentalism, are unable to take into account the role of both globalisation and transnational actors in shaping the social purpose of the EU. By examining the role of hegemony in structuring the policy environment, Chapter Two outlined how my theoretical approach was able to identify both how different social forces have promoted alternative hegemonic projects and how the neo-liberal historic bloc has been successful in entrenching their project. Finally, this chapter introduced the two competing hegemonic projects of neo-liberalism and neo-socialism, and the manner in which discourse surrounding competitiveness serves as a comprehensive concept of control within debates over social policy in the EU.

Chapter Three examined the institutional evolution of social policy in the EU. Focusing primarily on the first research question, this chapter demonstrated that the social policy environment currently established within the EU is oriented toward the market and the ideology of neo-liberalism. However, as shown in this chapter, this policy regime was not created in any systematic manner and this very lack of legislative responsibility has slowly eroded the capacity of the member states to exercise exclusive sovereignty and autonomy over welfare policy. Even though competing social forces have sought to entrench policies reflecting their rival ideals within the legislative framework of the EU, the contestation between them has often resulted in minimal policy development at the European level. Instead, when neo-socialist actors have been successful introducing social democratic ideals within the EU legislative framework, such as the European Employment Strategy [EES] or the debate over social inclusion, the ideological content of these initiatives become diluted by the demand for national variation; these initiatives still pose a constraint on national policy, but the social purpose of the program becomes open to contestation and vulnerable to being reinterpreted by another historic bloc.

Moving to address the welfare policies of the member-states in a more direct way, Chapter Four focused on Ireland. In particular, this chapter examined the historical conditions that led to the rapid growth experienced by Ireland in the 1990s, and it concluded that participation in the project of European integration had a transformative effect on Irish society. As identified in this chapter, developments in European social policy and the European Social Fund acted to both expand Irish legislation on workers' rights and gender equality and reinforce the efforts of domestic actors seeking to institutionalise a commitment toward active welfare policies. In addition, this chapter also analysed the development of social partnership as a means to construct an ideological consensus between trade unions and employers. Influenced by the broader trend toward competitive corporatist arrangements within other member-states, the practice of social partnership centred on enhancing Irish competitiveness through fiscal conservatism, macroeconomic monetarism, and economic liberalisation. Moreover, this chapter also outlined how the influence of the neo-liberal discourse on competitiveness within debates over social policy at the European level acts to reinforce actors seeking to limit social partnership negotiations to market-based solutions. Consequently, as this chapter demonstrated, the developments in European social policy exerted a critical influence in both shaping the Irish welfare state and helping to construct an ideological consensus between competing social forces.

Similarly, the fifth chapter analysed the changing dynamics of socio-economic governance in Germany and the reciprocal influence of national and European debates over social policy. Two broad conclusions were developed in this chapter. First, it was shown how German capital draws upon the neo-liberal discourse of competitiveness to argue both that the conservative welfare state is excessively rigid and that German businesses are unable to effectively respond to the new challenges posed by globalisation. Characterising this rigidity as a 'crisis' of the German welfare state, these actors drew upon debates at the European level over flexibility and competitiveness to introduce welfare reforms that place a greater reliance on the market and means-tested benefits. Secondly, this chapter also demonstrated the influence of German trade unions in shaping the European social dialogue to ensure that it reflected their system of industrial relations. Even though it was established that the German government actively abstained from debates over European social policy, this chapter showed that the practice of corporatism, found within conservative regimes such as Germany, still informed the model of industrial relations that developed within the EU. In this way, German actors were successful in institutionalising a corporatist model that promoted a strong 'insider-outsider' distinction within the policy process, which deepened the existing levels of social stratification and minimised the capacity of the European social dialogue to promote broader egalitarian outcomes and social solidarity. As such, this chapter concluded that the European debate contributed to the domestic realignment toward neo-liberalism and that German actors exerted a mitigating influence on the ability of the neo-socialist attempt to use the European social dialogue as a counter-hegemonic tool.

Chapter Six focused on the three interrelated aspects of hegemony—ideas, forms of state, and social relations of production—and synthesised the debates from the previous three chapters to demonstrate that a neo-liberal hegemonic order has been established within the EU and that the neo-socialist project is unable to develop coherent counter-hegemonic alternative. First, this chapter identified how neo-liberal social forces used four policy discourses to frame the debate over the harmonisation of social policy within the EU: fear, productivity growth, entrepreneurialism, and personal employability. Secondly, this chapter examined the strategic selectivity of the EU and how the open method of co-ordination has been used to de-politicise economic governance as merely a scientific exercise of identifying 'best practices.' Thirdly, this chapter analysed the mode of social relations of production that has accompanied the neo-liberal hegemonic project to show how it facilitates the ability of transnational capital—and hinders the ability of transnational labour—to develop into a historic bloc.

In summary, the preceding chapters have demonstrated that even though differences between national systems of socio-economic governance still remain, the overarching ideological goal of these different systems have shifted to one informed by the ideals and principles of neo-liberalism. Increasingly, member-states from different welfare traditions have now adopted policies focused on enhancing market competitiveness in the global political economy. As well, the manner in which harmonisation of social policy has occurred within the EU has further promoted the trend towards neo-liberalism. Still, this degree of convergence was neither inevitable nor entirely intentional. For many actors, the debate over social policy within the EU was seen as either an arena in which social democratic ideas could be promoted at the European level or a process through which national welfare systems could be protected against pressures for competitive deregulation. However, pressure to ensure that developments in European social policy allowed for national difference often resulted in a stalemate between competing social forces and a lack of new policy creation at the EU level.

In this way, the debate has been defined by the principle of 'social sovereignty' and not been actively promoted by different social forces. While competing groups have instigated enhanced co-ordination at the European level within employment policy and debates over social inclusion, there has not been a concerted effort by any social force toward shifting competency over social policy to the EU. In addition, even the political project of neo-socialism—which advocated the development of a more 'social' EU—limited its proposals to simply institutionalising a broad commitment to a vaguely defined European social model within the project of

European integration. Nevertheless, the deepening of European integration and the changing nature of production under globalisation has slowly eroded the autonomy of the member-states to pursue welfare policies focused on de-commodification and social solidarity. With the social purpose of socio-economic governance increasingly understood through the filter of market competitiveness, member-states are reorienting their welfare policies to promote the flexibility of European business, to adopt 'pro-market' regulation, and to foster a 'culture of entrepreneurialism.'

The Role of Transnational Actors in Debates over Social Policy

This study demonstrated that the process through which integration has evolved acts to redefine the relationship between the member-states and the EU. To a large degree, the deepening of integration has resulted in an institutional arrangement that is neither solely intergovernmental nor clearly supranational. Within policy areas like social policy, the scope of policy sharing between jurisdictions resembles the relationship between the central and the sub-central governments in a federal system. As detailed in Chapter Three, the co-ordination of social policies was largely defined by the dual principles of social sovereignty and subsidiarity, and the member-states largely resisted any efforts to directly shift competency up to the EU. Even with the adoption of the Social Chapter within the Treaty Framework in 1997 and the development of the EES—which explicitly endorsed the belief that some form of co-ordination of social policies was a necessary pre-condition to deepening economic integration—the responsibility of social policies remained national.

Nevertheless, the enhanced level of co-ordination demanded by the Treaty means that national governments are no longer able to solely determine their social policies in isolation. For example, the Treaty now commits the EU to "contribute to a high level of employment by encouraging co-operation between Member States and by supporting and, if necessary, complementing their actions" without limiting the actions of supranational organisations beyond stating that "the competencies of the Member States shall be respected" (Article 127). As such, both the extent and the limits of the EU in the provision of social policies within the member-states are nebulous. By mandating that social policies are a matter of joint concern, this legislative change creates a demand for co-operation between the different levels of governance. To a large degree, this change acted as a wedge that enabled the European Commission to demand for enhanced harmonisation of social policies, especially in the areas of employment policy and social exclusion, without explicitly shifting competency. However, the focus of this study was not directly concerned with determining the form of this new institutional arrangement; in contrast, the observation that socio-economic governance reflects a form of nascent federalism must be understood as a means to conceptualise the new manner of shared authority and the key social forces within the policy process.

Within this new institutional form, social forces that act in a transnational manner are able to exert a greater influence at both the national and the EU level. In this way, the consolidation of capital into a transnational class-for-itself enabled it to present a united front and shape the social purpose of European integration in the 1990s, and the participation of transnational capital within national debates over socio-economic governance both reinforce and are reinforced by developments at the European level. For example, the efforts to enhance market efficiency and flexibility promoted at the European level also penetrated into the national debate over welfare reform within Germany. Echoing the critique that conservative welfare regimes are too rigid and over-regulate business, transnational capital maintained that German regulations prevent corporations from effectively responding to changing conditions in the global political economy with sufficient speed to remain competitive. Reflecting the growing strength of this discourse, the Kohl government introduced reforms in the mid-1990s that deregulated the labour market and reduced non-wage labour costs by scaling back welfare benefits (Ryner 2003, 211-2). While these policies resulted in electoral defeat for the Kohl government, most of the reforms were not abandoned. Even though the early stages of the Schröder government did embark upon a so-called campaign of 'counter-reformation,' this focus was rejected when the government became more firmly consolidated around Schröder's vision of *die Neue Mitte*. With the resignation of Oskar Lafontaine in 1999, a number of interviewees argued the dominant discourse within the government became refocused upon ensuring market competitiveness, and some of the principles introduced by the Kohl government, such as the idea of *einnahmeorientierte Augabenpolitik*, became embraced by the Red-Green coalition as well. As a key component of this new ideological orientation, the German government introduced policies revolving around market liberalisation, flexible labour markets, and minimal state regulations in order to modernise the domestic model of socio-economic governance. However, the pressure for these reforms was principally driven by domestic social forces that relied upon the broader trend towards neo-liberal governance in the EU to reinforce their demands. Due to the changing focus of German capital toward transnational operations, groups like the *Budesvereinigung der Deutschen Arbeitgeberverbände* [Federal Union of German Employers' Associations, or BDA] have adopted the neo-liberal discourse of competitiveness to frame their demands for policy reforms. As a result, transnational capital is not just approaching the German state as an external actor exerting pressure, but is intimately involved within the national debate.

Still, it is important to not conflate this new institutional form of state solely with the neo-liberal historic bloc. Even though the new mode of social relations of production accompanying the neo-liberal hegemonic project acts to hinder the development of transnational labour as class-for-itself, the pseudo-federal nature of social policy within the EU may potentially enable counter-hegemonic actors within member-states to also draw upon developments at the EU level to strengthen their national political projects. In this manner, the changing orientation of the Irish welfare regime since the mid-1990s is particularly illustrative. Despite a history of social policies that have alternatively reflected both the liberal and the conservative ideal-types, the attempt to institutionally harmonise social policy through the EES has resulted in a number of key social democratic initiatives being transposed into the Republic of Ireland. As established in Chapter Three, the creation of the EES, with its emphasis on developing active labour market policies and gender equality, was initially an attempt to entrench social democratic ideals within European legislation. Moreover, Chapter Four reported that Irish social forces capitalised on these developments at the EU level to pressure for an expansion of welfare policies within

Ireland. In this way, the EES was used by domestic social forces to support their demands for the government to adopt a more active role in addressing unemployment, social exclusion, and structural barriers to gender equality. Even though the EES did not directly compel the Irish government to adopt these policies, the developments at the EU level reinforced the arguments made by national groups.

However, it is also important not to overemphasise the agency of transnational actors within this new institutional form. Social forces that operate transnationally do influence debates over socio-economic governance to a greater extent than actors that focus exclusively on either national or European debates, but the new strategic selectivity of the EU form of state still constrains the access of subordinate social forces—even if they continue to co-operate transnationally. As demonstrated in Chapter Six, transnational capital both redefined the seat of power within the EU system of governance toward the areas of economics and finance and established a mode of social relations of production that created an added disincentive for subordinate social forces to consolidate into a transnational class. While the full implications of this new mode of social relations will be discussed in the following section, at this point it is important to recognise that the new form of state operating within the EU does not necessarily mean that all social forces have an equal capacity to utilise the new institutional structure to influence policy development. For example, during the initial stages of the EES when its policy agenda was more explicitly social democratic, Irish social forces could still use it as a countervailing measure on the domestic trend toward neo-liberalism. Nonetheless, as the debate at the EU level became more increasingly defined by the neo-liberal discourse on competitiveness, and the focus was limited to market based solutions to enhance business flexibility and competitiveness in the global economy, the domestic push towards social democratic policies became similarly weakened. In other words, the ability of neo-liberal organic intellectuals to frame the debate over social policy at both the national and the European levels marginalised the capability of counter-hegemonic actors to articulate their project in a transnational manner. Even though capital has been more successful in implementing a regime that reflects their interests, the Irish example also demonstrates how transnational co-operation still enhances the likelihood of success for any political project. While the EU form of state may privilege transnational actors, other factors may still exist that serves to limit the overall impact that different social forces may exert.

Still, the full implications of this observation that transnational social forces are able to exert more influence in debates over socio-economic governance are not clear, and more research needs to be done to examine the impact of these actors in other jurisdictions. As there is a predilection towards operating at the EU level within both Irish and German society, it would be interesting to investigate the impact of European social policy within a member-state that has a greater current of 'Euro-scepticism,' such as the UK or Sweden. In particular, the degree to which debates at the European level still act to reinforce or challenge national debates when national actors are either less involved with, or actively disengaged from, the EU must be investigated. Moreover, an examination of the influence that European integration has had in shaping the social policies of the member states with other welfare traditions is also required; research must be conducted within Mediterranean and social democratic welfare regimes, as well as the former communist member states like Poland or Hungary, to determine if these counties are also experiencing a similar convergence towards neo-liberalism, and, if so, if this convergence is also being reinforced by the social policy environment constructed within the EU.

Indeed, more research must be done that both examines the impact of transnational actors within nation states outside of the EU and determines if the increased influence of these social forces is a product of European integration or relates to broader developments in the global political economy. While the findings from this study suggest that transnational social forces are no longer confronting the state as external actors, but are intimately involved in national debates as well, this conclusion must be tested within countries in which the internationalisation of the state is not so explicitly institutionalised. To what extent are social forces in countries like Canada reorienting to operate transnationally? Are social forces that focus solely at the national level in countries like Canada becoming less influential in domestic debates over socio-economic governance? Conversely, research could focus on the impact of transnational actors in new member-states like Poland or Hungary, or even candidate states like Turkey, to determine if involvement within the project of European integration increases the influence of transnational actors within national debates over socio-economic governance. To what degree has membership within the EU reoriented social forces in the former communist countries to operate transnationally? Has the negotiations surrounding accession increased the influence of transnational actors within Turkey? The findings of this dissertation suggest that transnational actors now exert a greater influence, but this must be applied to other jurisdictions in a more systematic manner.

Divisions Between Subordinate Social Forces

The research in this study regarding the role of corporatism in reinforcing and promoting a particular ideological consensus has broad implications for understanding both the relationship among subordinate social forces and the structural barriers that have been established between them. Through the explicit delineation of participants between social partners and other civil society organisations, the European social dialogue acts to institutionalise and normalise a particular form of class conflict and positions employers and trade unions as privileged actors in both bipartite and tripartite processes. In this way, established trade union organisations, such as the European Trade Union Congress [ETUC], were "recognized and accepted as legitimate and came to perform regular functions in industrial relations" whereas other fractions of labour "never acquired such legitimacy" (Cox 1987, 65). Due to this distinction between insiders and outsiders, Chapter Six demonstrated how established trade unions fear diluting their own influence by including other civil society organisations within the European social dialogue. Consequently, the involvement of radical trade unions, social movement representatives, and other civil society organisations within debates over socio-economic governance is limited. Within most jurisdictions, these groups are explicitly outside the process; while they may be consulted through mechanisms like the civil dialogue, civil society organisations must rely upon established participants to represent their interests within the actual policy debate. Moreover, even when civil society organisations are formally brought into the corporatist arrangements, such as the Irish system of social partnership, their impact is minimal.

As shown in Chapter Four, social partnership in Ireland was an attempt to cultivate a consensus between trade unions and employers for a radical programme of economic restructuring that largely reflected the neo-liberal discourse of competitiveness. For instance, all participants in the initial agreements endorsed the economic policies of fiscal conservatism, macroeconomic stability, and economic liberalisation as necessary preconditions to becoming competitive in the global political economy (O'Donnell and O'Reardon 2002, 198-200). Granted, all participants were also driven by more narrowly defined interests, but the early agreements were principally marked by "a 'problem-solving approach'" that sought to de-politicize the debate over socio-economic governance and to create broad consensus among the social partners (O'Donnell 2001, 311). Consequently, Chapter Four also demonstrated how a number of Irish interviewees maintained that the Irish approach to corporatism was unlike the antagonistic relationship between participants in social democratic welfare traditions, as the Irish system emerged from sentiments of co-operation and common interest held by both the Irish Business and Employers Confederation [IBEC] and the Irish Trade Union Congress [ITUC]. In this way, the mode of social relations of production developed through this process "denied the legitimacy of conflict, representing it as a mere misperception of interests on the part of workers … and a deficiency of manipulative skills on the part of management"

(Cox 1987, 71). However, the broad consensus toward neo-liberal policies that defined the early agreements began to breakdown in the mid-1990s in the face of rising levels of income disparity and relative poverty.

When the social and economic costs associated with the rapid growth of the early 1990s began to emerge, civil society groups critical of the development strategy endorsed by social partnership became more vocal within Irish society. In addition, the developing discourse surrounding social inclusion at the EU level in the mid-1990s further legitimised the critique offered by these groups. As identified in Chapter Four, a number of Irish interviewees asserted this emerging debate in Europe directly influenced the national discourse by both promoting the interrelatedness of social inclusion and economic growth and bringing the language of social inclusion to the centre of the debate over social policy. In an attempt to reassert the social consensus toward neo-liberal policies, the social partnership negotiations were expanded in 1996 to include the community and voluntary pillar in order to bring those groups critical of the process into the governing consensus. At first, the success of the negotiations surrounding the Partnership 2000 for Inclusion, Employment, and Competitiveness agreement seemed to indicate that a new consensus had been achieved. By integrating the community and voluntary pillar within the process, government policy began to accept that some degree of government intervention in the economy is necessary to alleviate social ills (O'Donnell 2001, 311). Yet, as participation by these groups became more normalised, they reasserted their initial critique of the development strategy to demand broader socio-economic outcomes focused on poverty reduction and social inclusion. In response, the level of antagonism between the participants began to increase and the hegemonic consensus began to fracture. This conflict continued to escalate until a number of civil society organisations, led by the National Women's Council and the Community Platform, walked out of the negotiations over the Sustaining Progress agreement in 2003.

While Chapter Four indicated that a number of interviewees suggested the withdrawal of these groups signifies the process of social partnership is unable to deal with issues of poverty reduction and social inclusion, it is a mistake to read this as a 'crisis' of social partnership. Instead, the withdrawal of these groups acts to reassert the boundaries of corporatism and the distinction between different actors within debates over socio-economic governance. In this way, the withdrawal of these civil society organisations brings the Irish system in line with both the ideal-type of competitive corporatism and the mode of social relations of production promoted by the neo-liberal hegemonic project. Within both models, a firm distinction is made between insiders and outsiders; despite a broader understanding of social partners within the Irish system, there still exists a ranking between participants, and economic based groups—such as employers and trade unions—are accorded a more privileged position within the debates. As well, the continued focus upon problem-solving and pragmatic consensus building—and the alienation of those groups that choose not to join into the broader consensus by labelling them as 'foolish' or irrational—also reflects the de-politicization discourse promoted by competitive corporatist arrangements.

More research must be done on how the neo-liberal mode of social relations of production splinters subordinate social forces. This study suggested that the neo-liberal hegemonic project promotes a finite understanding of co-operation, whereby insiders jealously guard their privileged position within the policy process and oppose any expansion on the grounds that it might dilute their influence, but research needs to focus on determining if this sentiment still gets created in policy environments that are not defined by corporatism. For instance, are economic groups like employers and trade unions still accorded a more privileged access to policy debates than other civil society organisation in countries without a tradition of corporatism, such as Canada? Moreover, this research needs to be done at both the national and the global levels. What impact is this mode having on global civil society and the ability of transnational labour to consolidate into a class-for-itself? Are trade unions playing a leadership role in these global debates? Or, as suggested by this study, are established trade unions only co-operating with other civil society organisations when they can control the agenda? Future research needs to examine these questions to determine the extent to which a sense of solidarity has been eroded and how this erosion might be overcome. For example, do concepts like the 'chain of equivalence,' as articulated by the World Social Forum and the Movement for Global Justice and Solidarity (Fisher and Ponniah 2003, 12),[1] enable the different fractions of transnational labour to overcome the divisions between them?

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[1] The phrase "chain of equivalence" is used by participants at the World Social Forum to indicate "a counter-hegemonic discourse that allows the diversity of movements to recognize that their fundamental aims are similar and can be fulfilled via the

In addition, research needs to focus upon the idea of transnational labour as a class. Concurrent with the "shift from capitalism towards hypercapitalism" (Scholte 2005, 136), Marxism is being increasingly marginalised as a viable explanatory framework and class analysis is being increasingly understood in the Weberian tradition of socio-economic status groups. However, this interpretation must be resisted. As identified in Chapter Six, class needs to be understood in reference to the social relations of production and the dynamics of exploitation. In this way, class struggle must be understood as a broad conflict between the exploiters and the exploited; as the principal mode of social relations is currently capitalism, these two broad groups should be correctly classified as capital and labour. Still, a number of questions emerge from this conclusion. Is the principal mode of social relations and exploitation actually capitalism, and is this division into two broad classes (with multiple fractions) accurate or a gross oversimplification? Does the classification of new social movements, such as feminism and environmentalism, as fractions of transnational labour minimise or distort the critique offered by these groups? Similarly, what role should trade unions play in this transnational class? Traditionally, Marxism conceptualises trade unions as the vanguard of labour—playing a key role in class formation—but is this role still accurate? If established trade unions are only co-operating with other civil society groups when they can control the agenda, are they still capable of facilitating the development of a transnational class-for-itself? Indeed, does transnational labour need established trade

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implementation of an overarching set of principles, policies and procedures" (Fisher and Ponniah 2003, 12).

unions to take this leadership role, or may other fractions be able to perform this role more effectively? The findings of this study suggest that established trade unions are not essential—and may hinder the development of transnational class formation—but more research must be done that focuses explicitly on these questions.

Limits of Reform-Based Strategies in Challenging a Hegemonic Consensus

Finally, by examining the impact of the neo-socialist project to establish an alternative to neo-liberal hegemony, this study demonstrated the inherent limitations of reform-based strategies to effectively challenge a hegemonic order. Advocates for the neo-socialist project sought to institutionalise support of the so-called European social model within the project of European integration. However, because the European social model was left explicitly undefined—to ensure the model includes sufficient breadth to encompass the differences in national welfare traditions—it has emerged as a core contested discourse between competing social forces, and the ability to define its meaning may serve to assist dominant social forces in (re) asserting a hegemonic order. Despite this development, the neo-socialist project first emerged as a coherent political project; initially driven by the Delors Commission, the neo-socialist project attempted to ensure that the European single market would also include a social dimension (Cram 1997, 40-1). Reflecting the largely social democratic orientation of the Commission at that time, the content of this proposal revolved around three core components: corporatism, social solidarity, and employment creation. Even though the legislative impact of this initiative was minimal, it did create a policy space at the European level that suggested some degree of co-ordination of social policy among the member-states was desirable. In particular, this focus served to reorient the debate over job creation with "the discursive effect of refiguring conceptions of unemployment at the level of political and economic relations now imagined to be inter- and supranational, i.e., more than the sum of the separate member-states" (Walters 2000, 116). In other words, the neo-socialist project successfully established the idea of a *European* social model as a *sui generis* entity distinct from social policies pursued by the member-states.

Within this newly established policy space, competing social forces from different welfare traditions acted to define key aspects of the neo-socialist project and shift it away from its original social democratic orientation. For example, actors from conservative welfare regimes responded to the proposal for a European social dialogue by advocating for it to develop in a manner consistent with their system of industrial relations. As demonstrated in Chapter Five, the 'Europeanisation' of German society helped cultivate acceptability among German social partners regarding the use of European institutions to achieve or reinforce domestic policy goals. Consequently, the *Deutscher Gewerkschaftsbund* [DGB] consistently remained one of the largest and most active components of the ETUC and was able to shape the manner in which corporatist arrangements in the EU evolved. Despite a reluctance on the part of the German government to participate in debates over European social policy, the scope of involvement of the DGB within these debates led Martin Rhodes (1999) to conclude that German trade unions were the "main union force behind some of the key developments [in European social policy] since the

1950s" (135-6). Even though the initial proposal for a European social dialogue reflected the social-democratic orientation of the Delors Commission and resembled the ideal-type of social corporatism, the involvement of both the ETUC and, to a lesser degree, the Union of Industrial and Employer's Confederations of Europe [UNICE] acted to push the model closer to the ideal-type of liberal corporatism. In this way, the European social dialogue is very internally focused upon the participants and reinforces a strict delineation between social partners and other civil society organisations.

As well, actors from liberal welfare regimes, such as Ireland, allied themselves with the emerging neo-liberal bloc and sought to ensure that the European social model was grounded within market-based solutions. For example, the rapid growth experienced by the Republic of Ireland, driven primarily by the three sectors of computers, electrical engineering, and pharmaceuticals, established the so-called Irish developmental model as a best practice to be emulated by the other member-states. Reflecting this perspective, Irish policy-makers advocated for the promotion of FDI and flexibility in the labour market as a means to similarly promote rapid growth in the other member-states. In this way, neo-liberal organic intellectuals used rapid growth experienced by Ireland as an example to reinforce the discourses of productive growth and entrepreneurialism within broader debates over social policy in the EU. Collectively, the pressures from both conservative and liberal welfare regimes have diluted the challenge posed by the neo-socialist project, leaving the meaning of the European social model vague and undefined.

The manner in which the neo-socialist project to institutionalise support for the European social model has been re-interpreted has broad implications for understanding the potential ability of other projects of resistance to affect change. A broadly held assumption in critical approaches to both European integration and globalisation, such as Andreas Bieler's (2006) examination of trade unions in constructing a 'Social Europe,' Susanne Soederberg, Georg Menz, and Philip G. Cerny's (2005) discussion of 'social neoliberalism,' and Anthony Giddens' (2000) promotion of the 'third way' as an alternative to neo-liberalism, suggests that subordinate social forces need to work within the existing structures of governance to mitigate against the worst elements of neo-liberalism and inject a social dimension into the hegemonic order. Still, research must be performed that examines the final impact of these types of strategies in changing the dynamics of socio-economic governance. Do concepts like Social Europe, social neo-liberalism, and the third way challenge neo-liberal systems of governance? Or, as suggested by this study, do these projects act like neo-socialism and enable a historic bloc to simply absorb the criticism in order to legitimise existing practices without leading to any substantive shift in policy? For example, what impact is the debate over 'good governance' practices in international financial institutions having upon the lending practices of these institutions? What impact does the discourse surrounding gender-mainstreaming have on policy outcomes? Or, more broadly, how successful has transnational capital been in rearticulating the challenges posed by these 'socially-oriented' projects to legitimise and stabilise their hegemonic rule? To a large degree, the critique of reform-based strategies could be extended in a number of ways.

However, to conclude this study, one area will be briefly discussed in more detail. As the idea of flexicurity is emerging as a central concept in the debate over European social policy, more research must be done to examine the role this discourse may play in either reinforcing or challenging neo-liberal hegemony.

Seeking to ensure that the quest towards competitiveness in the global political economy still includes some level of protection for workers, neo-socialist actors in the EU have embraced the concept of flexicurity, first adopted by the social democratic government in Denmark, as a mechanism to challenge the dominance of flexibility within the discourse of competitiveness. Within the Danish model, flexicurity is identified as a "golden triangle" that entails three components: a flexible labour market so that it is easier for companies to hire and fire employees, a comprehensive system of social security that ensures sufficient benefits for the unemployed, and a number of active labour market policies that focus on moving the unemployed back into employment (Frederiksen 2005). Reflecting the Danish model, the definition initially provided by the Commission also encompassed these three aspects, so that flexicurity was defined as the combination of

> a more flexible labour market, where protection from dismissal for instance is relatively low, with good social protection offering high unemployment benefits, which make the transition for one job to another less painful. Along with this, flexicurity promotes a pro-active employment and training policy shortening the period between jobs. (European Commission 2006, 15)

However, soon afterward, a number of competing social forces began to highlight different aspects of the broad definition in order to promote an understanding that reflected their interests. In this way, the ETUC presented a definition that placed a greater emphasis on the security of the workforce and upward mobility and the UNICE promoted an understanding that emphasised an easing of regulations on hiring and firing employees as a means to foster a culture of entrepreneurialism. As this debate continued, the 2006 Spring Summit of the European Council called upon "Member States to direct special attention to the key challenge of 'flexicurity' (balancing flexibility and security)" and declared that "the Commission, jointly with Member States and social partners, will explore the development of a set of common principles on flexicurity" that would serve as a "reference in achieving more open and responsive labour markets and more productive workplaces" (12).

As the meaning of flexicurity is still being shaped—and the "common principles" will not be decided until the December 2007 meeting of the European Council—the final implications of this term are still unclear and future research needs to monitor the development of this idea in policy terms. Nevertheless, key aspects of the concept are beginning to emerge, which suggest this term may act as a comprehensive concept of control to enfold key fractions of the neo-social project into the neo-liberal historic bloc. Following the Final Report on the European Expert Group on Flexicurity,[2] the Commission issued a communication in June 2007 that provided a four-part definition of flexicurity:

- *Flexible and reliable contractual arrangements* (from the perspective of the employer and the employee, of "insiders" and "outsiders") through modern labour laws, collective agreements and work organisation;

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[2] The European Expert Group on Flexicurity (July 2006-June 2007) was established by the Commission "to review relevant academic literature and practices in Member States and to advise the Commission on preconditions for flexicurity, various starting positions and flexicurity pathways" (European Expert Group on Flexicurity 2007, 3).

- *Comprehensive lifelong learning (LLL) strategies* to ensure the continual adaptability and employability of workers, particularly the most vulnerable;
- *Effective active labour market policies (ALMP)* that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs;
- *Modern social security systems* that provide adequate income support, encourage employment and facilitate labour market mobility. This includes broad coverage of social protection provisions (unemployment benefits, pensions and healthcare) that help people combine work with private and family responsibilities such as childcare (European Commission 2007b, 5, emphasis original).

To a large degree, this four-fold definition accepts the premise put forward by transnational capital that "flexicurity is about moving away from a job preservation mindset into a job creation mindset to reduce to a minimum the periods of unemployment" (De Buck 2007, 1). In particular, the emphasis on pathways and activating the unemployed reinforces the neo-liberal policy discourse that seeks to redefine the causes of unemployed as "a personal defect of the unemployed" (Overbeek 2003a, 27). Consequently, the emerging definition seeks to establish a best practice for social policies in which state action is reduced to simply facilitating the socially excluded to take up employment opportunities. Even though the final definition of flexicurity has yet to be established, the focus of the current discourse indicates that the challenge is being successfully rearticulated by neo-liberal organic intellectuals and acts as a comprehensive concept of control to help extend the hegemonic project. As such, counter-hegemonic actors must proceed with caution to ensure that their challenge is not used by the governing historic bloc to simply legitimise existing practices without leading to any substantive shift in policy.

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